

Final Official Statement Dated October 19, 2016

NEW MONEY ISSUE: Book-Entry-Only

Ratings: S&P Global Ratings: "AA+"

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 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 may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.



Town of Stonington, Connecticut \$17,220,000 General Obligation Bonds, Issue of 2016

Dated: Date of Delivery

Due: Serially November 1, 2017 – 2036,
As detailed below:

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2017	\$ 865,000	2.000%	0.800%	862029WE1	2027*	\$ 860,000	3.000%	2.100%	862029WQ4
2018	865,000	2.000%	0.950%	862029WF8	2028*	860,000	3.000%	2.300%	862029WR2
2019	865,000	4.000%	1.000%	862029WG6	2029*	860,000	3.000%	2.500%	862029WS0
2020	865,000	4.000%	1.100%	862029WH4	2030*	860,000	3.000%	2.700%	862029WT8
2021	860,000	4.000%	1.200%	862029WJ0	2031*	860,000	3.000%	2.900%	862029WU5
2022	860,000	4.000%	1.330%	862029WK7	2032	860,000	3.000%	3.000%	862029WV3
2023	860,000	2.000%	1.480%	862029WL5	2033	860,000	3.000%	3.050%	862029WW1
2024*	860,000	5.000%	1.650%	862029WM3	2034	860,000	3.000%	3.100%	862029WX9
2025*	860,000	3.000%	1.750%	862029WN1	2035	860,000	3.000%	3.150%	862029WY7
2026*	860,000	3.000%	1.850%	862029WP6	2036	860,000	3.000%	3.200%	862029WZ4

* Priced assuming redemption on November 1, 2023; however any such redemption is at the option of the Town.

Interest on the Bonds will be payable on November 1, 2017 and semiannually thereafter on May 1 and November 1 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).

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 November 1, 2016.

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.

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 by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

Other than as to matters expressly set forth in Appendix B 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 make no representation that it has independently verified the same.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor have the Bonds 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 Agreement shall be executed in substantially the form attached as Appendix C to this Official Statement.

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Bond Issue Summary

<i>Date of Sale:</i>	Wednesday, October 19, 2016 at 11:30 A.M. (E.D.T).
<i>Location of Sale:</i>	Stonington Police Department, 173 South Broad Street, Pawcatuck, CT 06379
<i>Issuer:</i>	Town of Stonington, Connecticut (the "Town").
<i>Issue:</i>	\$17,220,000 General Obligation Bonds, Issue of 2016 (the "Bonds").
<i>Dated Date:</i>	Date of Delivery.
<i>Interest Due:</i>	Interest on the Bonds is due November 1, 2017 and semiannually thereafter on May 1 and November 1 in each year until maturity.
<i>Principal Due:</i>	Principal on the Bonds is due serially, November 1, 2017 through November 1, 2036 as detailed in this Official Statement.
<i>Purpose:</i>	Bond proceeds will be used for various school and general purpose projects.
<i>Redemption:</i>	The Bonds are subject to redemption prior to maturity, as provided herein.
<i>Denominations:</i>	\$5,000
<i>Security:</i>	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.
<i>Credit Rating:</i>	The Town received a rating of "AA+" from S&P Global Ratings on the Bonds.
<i>Bond Insurance:</i>	The Town does not plan on purchasing a credit enhancement facility.
<i>Basis of Award:</i>	The lowest True Interest Cost, as of the dated date.
<i>Form of Legal Opinion:</i>	See Appendix B – "Form of Legal Opinion" herein.
<i>Bank Qualification:</i>	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.
<i>Continuing Disclosure:</i>	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 to this Official Statement.
<i>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</i>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
<i>Financial Advisor:</i>	Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 878-4945.
<i>Legal Opinion:</i>	Tobin, Carberry, O'Malley, Riley & Selinger, P.C., of New London, Connecticut will act as Bond Counsel.
<i>Delivery and Payment:</i>	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about November 1, 2016. Delivery of the Bonds will be made against payment in Federal Funds.
<i>Issuer Official:</i>	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) 535-5012.

I. Bond 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 \$17,220,000 General Obligation Bonds, Issue of 2016 (the "Bonds") of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. 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 and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

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

The Bonds are being offered for sale at public bidding. A Notice of Sale dated October 11, 2016 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

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

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.

Financial Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the Town with respect to the issuance of the Bonds (the "Financial Advisor"). The information in this Official Statement has been prepared by the Town of Stonington, with the help of the Financial Advisor. The Financial 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 Financial 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 \$17,220,000 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 November 1, 2017 and semiannually thereafter on May 1 and November 1 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 fifteenth business day of April and October 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 November 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on November 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after November 1, 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>
November 1, 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.

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 will be rendered by Tobin, Carberry, O’Malley, Riley & Selinger, P.C. in substantially the form set forth in Appendix B to this Official Statement.

Authorization and Purpose

Authorization: The Bonds 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 will be used to finance the projects listed below in “Use of Proceeds”.

Uses of Proceeds:

<i>Project</i>	<i>Authorized</i>	<i>Bonds Issued</i>	<i>This Issue The Bonds</i>
Land Purchase.....	\$ 2,216,164	\$ -	\$ 2,216,164
West Vine St School, Deans Mill and Pawcatuck Middle School Projects...	69,000,000	-	15,003,836
Totals.....	\$ 71,216,164	\$ -	\$ 17,220,000

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity of the Bonds 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the 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 the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

DTC Practices

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

Replacement Bonds

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

Security and Remedies

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

Unless paid from other sources, the Bonds are payable from general property tax revenues of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation debt (hereafter “debt”), and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order 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, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted by the Congress or the Connecticut General Assembly and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

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

Qualification for Financial Institutions

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

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 within six months of the end of its fiscal year, unless extended pursuant to State Law. 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 notices of certain events with respect to the Bonds, pursuant to Continuing Disclosure Agreements to be executed in substantially the form of Appendix C 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”). In the last 5 years, the Town has never defaulted in its obligations to provide annual financial information pursuant to such Continuing Disclosure Agreements. 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, annual financial information required by the Prior Disclosure Undertakings was not filed in a timely manner for fiscal years 2011, 2012, and 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

The Town received a rating of “AA+” on the Bonds from S&P Global Ratings (“Rating Agency”). 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 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 Financial 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.

Tax Exemption

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 in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds 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 is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

Ownership of the Bonds 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. Prospective purchasers of the Bonds, 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.

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

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, 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 will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

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 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.

Original Issue Discount

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

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond 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 by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest 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 should consult their own tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds.

Original Issue Premium

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

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond 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 by such owner. Amortized original issue premium on the Bonds 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 should consult their own tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds.

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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 the only Connecticut town 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 and semi-rural working and living sites. The Town is within two hours or less of major research and transportation centers in Boston, Providence, New Haven, Hartford and New York. Access via I-95 is minutes away. 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 2014 population totals 18,539 with 10% residing in the Borough. Two other concentrated areas are the Pawcatuck and Mystic sections of the Town, which have 40% and 20% respectively, of the Town's population.

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 Nathaniel Palmer.

Pawcatuck has continued its proud heritage as the home of industrial 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.

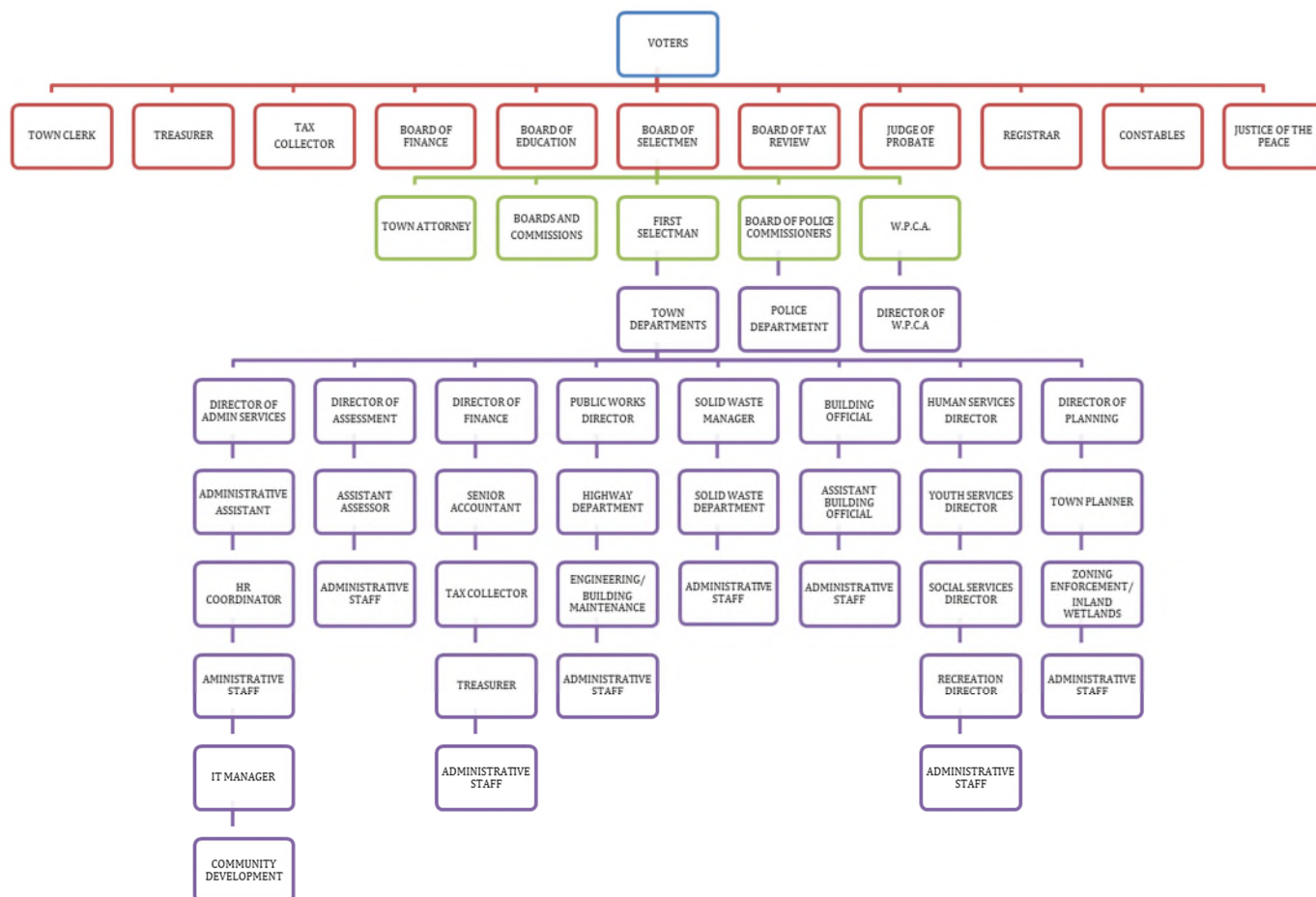
Form of Government

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

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	11/15-11/17	1	Retired ¹
Selectman.....	Michael Spellman	Elected	11/15-11/17	1	Police Officer
Selectman.....	Kate Rotella	Elected	11/15-11/17	1	Purchasing Agent
Director of Admin. Services.....	Vincent Pacileo	Appointed	Indefinite	5	Assoc. Dir. of Human Resources
Director of Finance.....	James Sullivan	Appointed	Indefinite	1	Certified Public Accountant
Treasurer.....	Paul Cravinho	Elected	11/15-11/17	3	Retired
Chief of Police.....	J. Darren Stewart	Appointed	Indefinite	8	Police Chief
Chairman, Board of Finance.....	Bryan Bentz	Elected	11/15-11/17	13	Self Employed
Superintendent of Schools.....	Dr. Van Riley	Appointed	Indefinite	8	Assistant Superintendent
Tax Collector.....	Linda Camelio	Elected	11/15-11/17	18	Tax Collector
Town Clerk.....	Cynthia Costa Ladwig	Elected	11/15-11/17	17	Town Clerk
Town Attorney.....	Thomas J. Londregan	Appointed	11/15-11/17	21	Attorney
Director of Human Services.....	Leanne Theodore	Appointed	Indefinite	13	Human Services Program Coordinator
Director of Planning.....	Jason Vincent	Appointed	Indefinite	1	Vice President - Norwich Community Development Corporation
Assessor.....	Marsha L. Standish	Appointed	11/15-11/17	19	Assessor
Director, Water Pollution Control Authority.....	Douglas Nettleton	Appointed	Indefinite	1	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-six Patrolmen and seven 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 through eleven separate fire districts and associations with individual taxing authority. These coterminus 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. Through a grant from the State of Connecticut and a \$100,000 Town Match, 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 Service Contract, the Town is required to deliver or cause to be delivered to the System, solid waste generated within its boundaries. The Town’s minimum commitment is 10,149 tons for fiscal year 2008-09 through the life of the contract. The uniform per ton Disposal Fee is \$58 for 2016-17. The Town’s Service Payment commitment is a “put-or-pay” commitment, in that if the Town’s minimum commitment is not met in any year, the Town may be required to pay its minimum annual commitment. The Town has exceeded its annual minimum commitment by more than 2,000 tons per year for the past decade.

Service Payments are payable so long as the System is accepting solid waste delivered by or on behalf of the Town, whether or not such solid waste is processed at the Facility. The Town’s obligation to pay the Service Payment, so long as the Authority is so accepting the Town’s solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other right which the Town may have against the Authority or any person for any reason whatsoever, and is not to be affected by any defect in title, design, fitness for use, loss or destruction of the System. The Town has pledged its full faith and credit to the payment of Service Payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

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:

- 1) Defense technology, engineering and advanced manufacturing
- 2) Tourism and entertainment
- 3) Healthcare and biotechnology
- 4) Marine education and research

The Westerly Sun relocated their offices to the Pawcatuck section of Town in 2012. They publish a seven day newspaper as well as the Mystic River Press, a weekly print newspaper. 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. It contains over 12,000 fish, invertebrates and marine mammals and 70 daily exhibits, as well as Seal Island and Penguin Pavilion. The jellies new exhibit features six jelly species and gives the effect of

being underwater. The aquarium 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.

In May 2014 construction began on Masonicare at Mystic. It is a \$35.4 million upscale retirement community off Coogan Boulevard in Mystic. The 179-unit community will include independent and assisted living rental apartments and provide assisted living space for individuals with memory care needs. While Masonicare is a not-for profit entity, they have entered into an agreement with the Town to make PILOT payments. Their mill rate will exclude the education portion of the budget as well as any debt service attributable to the school. The project is expected to be completed in December of 2016.

Municipal Employees

(Full-time)

Fiscal Year

	2016	2015	2014	2013	2012
General Government ¹	116	103	111	113	110
Board of Education	316	325	335	316	325
Total	432	428	446	429	435

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.....	15	June 30, 2019
Stonington Town Hall Employees' Union, Inc., AFSCME-AFL-CIO.....	17	June 30, 2019
United Steelworkers' Association, Inc.....	18	June 30, 2019
CT Organization for Public Safety Employees, Local 137.....	34	June 30, 2019
Board of Education		
Stonington Education Association.....	210	June 30, 2017
Stonington Public Administrators Association, Inc.....	11	June 30, 2017
AFSCME, AFL-CIO School Nurses.....	6	June 30, 2020
AFSCME, AFL-CIO School Secretaries.....	10	June 30, 2017
AFSCME, AFL-CIO School Maintenance Employees.....	21	June 30, 2020
AFSCME, AFL-CIO Paraprofessionals.....	87	June 30, 2017

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 10/1/2015	Rated Capacity
West Vine.....	K-2	1967	13	Masonry	189	281
West Broad.....	K-3-4	1899, 1967	15	Masonry	148	347
Deans Mill.....	K-4	1967, 1975	25	Masonry	387	599
Pawcatuck Middle...	5-8	1938, 1966, 1974, 1989	20	Masonry	269	349
Mystic Middle.....	5-8	1962, 2000	19	Masonry	406	463
Stonington High.....	9-12	1957, 1982, 2004	44	Masonry	714	770
Total.....					2,113	2,809

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>				
2006-2007	968	794	797	2,559
2007-2008	961	766	813	2,540
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
<u>Projected</u>				
2016-2017	759	645	712	2,116

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
2014 ²	18,539	(0.03)	434	3,592,053	2.33

Source: U.S. Census Bureau.

¹ Per square mile: 42.7 square miles.

² American Community Survey 2010-2014

Age Distribution of the Population

Age	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years.....	777	4.2%	194,338	5.4%
5 - 9 years.....	955	5.2	217,491	6.1%
10 - 14 years.....	1,085	5.9	234,666	6.5%
15 - 19 years.....	1,076	5.8	255,499	7.1%
20 - 24 years.....	751	4.1	234,482	6.5%
25 - 34 years.....	1,737	9.4	433,145	12.1%
35 - 44 years.....	2,074	11.2	459,130	12.8%
45 - 54 years.....	3,215	17.3	563,772	15.7%
55 - 59 years.....	1,381	7.4	253,952	7.1%
60 - 64 years.....	1,566	8.4	214,499	6.0%
65 - 74 years.....	2,007	10.8	280,541	7.8%
75 - 84 years.....	1,217	6.6	162,971	4.5%
85 years and over.....	698	3.8	87,567	2.4%
Total.....	18,539	100%	3,592,053	100%
Median Age (Years).....	47.2		40.3	

Source: American Community Survey 2010-2014

Income Distribution

Income	Town of Stonington		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	123	2.5%	30,584	3.4%
\$10,000 to \$14,999.....	94	1.9	18,591	2.1%
\$15,000 to \$24,999.....	149	3.0	46,537	5.2%
\$25,000 to \$34,999.....	230	4.6	56,473	6.3%
\$35,000 to \$49,999.....	455	9.1	85,206	9.5%
\$50,000 to \$74,999.....	588	11.7	140,776	15.6%
\$75,000 to \$99,999.....	851	17.0	129,656	14.4%
\$100,000 to \$149,999.....	1,227	24.4	184,327	20.5%
\$150,000 to \$199,999.....	580	11.6	93,100	10.3%
\$200,000 or more.....	723	14.4	114,307	12.7%
Total.....	5,020	100.0%	899,557	100.0%

Source: American Community Survey 2010-2014

Income Levels

	Town of Stonington	State of Connecticut
Per Capita Income, 2010	\$42,184	\$36,775
Per Capita Income, 2014	\$44,599	\$38,480
Median Family Income, 2014	\$100,521	\$88,217
Percent Below Poverty, 2014	4.80%	10.50%

Source: American Community Survey 2010-2014

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.....	303	2.2%	106,784	4.3%
9th to 12th grade, no diploma.....	424	3.1	150,227	6.1
High School graduate (includes equivalency)...	3,695	26.6	677,887	27.6
Some college, no degree.....	1,957	14.1	431,807	17.6
Associate degree.....	917	6.6	180,321	7.3
Bachelor's degree.....	3,514	25.3	506,662	20.6
Graduate or professional degree.....	3,085	22.2	401,889	16.4
Total.....	13,895	100.0%	2,455,577	100.0%
Total high school graduate or higher (%).....	94.8%		89.5%	
Total bachelor's degree or higher (%).....	47.5%		37.0%	

Source: American Community Survey 2010-2014

Major Employers

Name of Employer	Nature of Business	Employees
Town of Stonington (Town and BOE).....	Municipality	432
Davis Standard.....	Plastic Extrusion Systems	401
Mystic Seaport.....	Maritime Museum	340
Mystic Aquarium and Institute for Exploration.....	Marine Life Aquarium	245
LCS Westminster (Stoneridge Retirement Community)...	Retirement Community	220
Pendleton Health and Rehabilitation Center.....	Rehabilitation	202
McQuades Grocery Store.....	Grocery Store	125
Big Y Grocery Store.....	Grocery Store	121
Zachry Nuclear Engineering.....	Engineering	116
General Dynamics Info Technology.....	Engineering/Technology	99
Total.....		2,301

Source: Town of Stonington.

Davis Standard

A Division of Crompton Corporation, Davis Standard is the premier supplier of plastic extrusion systems and related electronic controls, design and after-market services. Products include several lines of plastic extruders for the production of plastic sheets for packaging of products such as microwaveable foods as well as for the production of medical tubing, wire insulation and such non-disposable plastic parts as tool cases and beverage coolers. The company has also developed systems for the recycling of original plastic products and the reclaiming of factory scraps.

Mystic Seaport

Mystic Seaport is an 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 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.

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 relocated its headquarters from Groton to Stonington in August 2011. 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 175 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.

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Employment by Industry

Sector	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	11	0.1%	7,413	0.4%
Construction	584	6.1	97,974	5.5
Manufacturing	1550	16.3	191,057	10.8
Wholesale trade	156	1.6	44,195	2.5
Retail trade	833	8.8	191,267	10.8
Transportation and warehousing, and utilities	320	3.4	65,068	3.7
Information	197	2.1	41,905	2.4
Finance, insurance, real estate, rental & leasing	403	4.2	161,926	9.2
Professional, scientific, management, administrative, and waste mgmt services	934	9.8	197,880	11.2
Education, health and social services	2,337	24.5	467,574	26.5
Arts, entertainment, recreation, accommodation and food services	1345	14.1	154,005	8.7
Other services (except public administration)	474	5.0	80,179	4.5
Public Administration	376	3.9	66,491	3.8
Total Labor Force, Employed	9,520	100%	1,766,934	100.0%

Source: American Community Survey 2010-2014

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
July 2016	9,383	425	4.3	5.6	5.6
Annual Average					
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
2007	10,294	342	3.2	4.3	4.6
2006	10,184	299	2.9	4.1	4.3

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.....	3,179	33.5%	334,290	22.4%
1940 to 1969.....	2,289	24.2	536,618	36.0
1970 to 1979.....	1,010	10.7	200,288	13.4
1980 to 1989.....	1,230	13.0	193,794	13.0
1990 to 1999.....	883	9.3	113,875	7.6
2000 or 2009.....	858	9.1	104,093	7.0
2010 or later.....	28	0.3	7,423	0.5
Total Housing Units, 2014	9,477	100.0%	1,490,381	100.0%

Source: American Community Survey 2010-2014

Housing Inventory

Housing Units	Town of Stonington		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	6,488	68.5%	882,955	59.2%
1-unit, attached.....	280	3.0	79,922	5.4
2 units.....	757	8.0	120,070	8.1
3 or 4 units.....	945	10.0	133,452	9.0
5 to 9 units.....	213	2.2	81,574	5.5
10 to 19 units.....	124	1.3	55,609	3.7
20 or more units.....	407	4.3	124,683	8.4
Mobile home.....	240	2.5	11,819	0.8
Boat, RV, van, etc.....	23	0.2	297	0.0
Total Inventory.....	9,477	100.0%	1,490,381	100.0%

Source: American Community Survey 2010-2014

Building Permits

Fiscal Year Ending 6/30	Residential		Commercial / Industrial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
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
2008	490	37,575,985	76	17,849,322	1	50,000	567	55,475,307
2007	554	41,683,835	46	18,657,243	-	-	600	60,341,078

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

Specified Owner-Occupied Units	Town of Stonington		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000	325	5.7%	24,122	2.6%
\$50,000 to \$99,999	78	1.4	26,438	2.9
\$100,000 to \$149,999	197	3.5	72,756	8.0
\$150,000 to \$199,999	381	6.7	137,797	15.1
\$200,000 to \$299,999	1,556	27.3	257,364	28.2
\$300,000 to \$499,999	1,858	32.6	243,882	26.7
\$500,000 to \$999,999	855	15.0	109,918	12.0
\$1,000,000 or more	456	8.0	40,766	4.5
Total	5,706	100.0%	913,043	100.0%
Median Sales Price	\$329,200		\$274,500	

Source: American Community Survey 2010-2014

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IV. Tax Base Data

Property Tax

Assessments

The Town of Stonington had a general property revaluation effective October 1, 2012. 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, 2017 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
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%
2007 ²	75.80	14.30	3.50	2.30	4.10	3,109,181,703	20,357,200	3,088,824,503	44.50%
2006	72.50	15.00	3.10	3.50	5.90	2,155,183,059	17,567,478	2,137,615,581	1.44%

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	\$ 1,761,700
State of Connecticut	4,591,180
Municipal	86,050,390
Sub-Total Private	\$ 92,403,270
Private	
Scientific, educational, historical, charitable	\$ 84,452,179
Cemeteries	4,384,700
General Hospital.....	1,232,400
Churches	26,158,410
Veteran's Organizations	1,106,700
Volunteer Fire Companies	6,452,610
Hospitals & Sanitariums	-
Miscellaneous	327,300
Sub-Total Private	124,114,299
Total Exempt	\$ 216,517,569
Percent Compared to Net Taxable Grand List ¹	8.25%

¹ Based on October 1, 2015 Net Taxable Grand List of \$2,625,839,807.

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 6/30/16
2015	2017	\$ 2,625,839,807	22.31	\$ 58,429,283		<i>IN COLLECTION</i>	
2014	2016	2,622,270,316	21.32	56,110,818	98.61%	1.39%	1.39%
2013	2015	2,600,089,853	20.43	52,968,468	99.53%	0.47%	0.07%
2012 ²	2014	2,592,616,626	19.88	51,375,516	98.93%	1.07%	0.02%
2011	2013	3,188,439,949	15.89	50,493,359	98.88%	1.12%	0.01%
2010	2012	3,166,252,253	15.63	49,539,665	98.51%	1.49%	0.01%
2009	2011	3,152,045,021	15.43	48,695,798	97.84%	2.16%	0.01%
2008	2010	3,129,738,768	15.10	47,293,278	98.45%	1.55%	0.00%
2007 ²	2009	3,088,824,503	15.14	46,902,758	98.15%	1.85%	0.00%
2006	2008	2,137,615,581	21.73	46,617,197	99.09%	0.91%	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
Connecticut Light & Power.....	Utility	\$ 32,616,264	1.24%	\$ 727,669
LCS-Westminster Partnership (Stone Ridge).....	Retirement Community	28,954,233	1.10%	645,969
Aquarion Water Company of CT.....	Utility	15,453,756	0.59%	344,773
Mashantucket Pequot Tribe.....	Gaming	10,517,269	0.40%	234,640
Mall Inc (Olde Mystic Village).....	Retail	9,797,650	0.37%	218,586
Whitehall Mansion Partners LLC (Residence Inn)...	Hotel	9,556,335	0.36%	213,202
DDH Hotel Mystic LLC (Mystic Hilton).....	Hotel	9,406,966	0.36%	209,869
Davis Standard LLC.....	Manufacturing	8,761,232	0.33%	195,463
Yankee Gas Services.....	Utility	8,125,535	0.31%	181,281
SMV Mystic LLC (Pendleton Health and Rehab).....	Nursing Home	7,639,200	0.29%	170,431
Total		\$140,828,440	5.36%	\$ 3,141,883

¹ Based on October 1, 2015 Net Taxable Grand List of \$2,625,839,807.

² Based on the Town's mill rate established for the 2016-17 budget of 22.31.

Source: Town of Stonington, Assessor's Office.

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V. Debt Summary
Principal Amount of Indebtedness
As of November 1, 2016
(Pro Forma)

Date	Purpose	Rate %	Original Issue	Bonds Outstanding²	Fiscal Year of Maturity
General Purpose					
02/15/09	General Purpose Refunding	2.00-5.00	\$ 4,525,000	\$ 1,558,100	2020
08/23/13	General Purpose.....	2.50-4.25	4,285,000	3,640,000	2034
08/22/14	General Purpose.....	2.00-4.00	1,915,000	1,721,000	2035
	Sub-Total		\$ 10,725,000	\$ 6,919,100	
Schools					
02/15/09	School Refunding	2.00-5.00	\$ 3,000,000	\$ 831,900	2020
02/23/12	School Refunding	2.00-4.00	16,128,000	12,074,000	2027
	Sub-Total		\$ 19,128,000	\$ 12,905,900	
Sewers¹					
08/31/98	Sewer-Clean Water Fund Loan.....	2.00	\$ 1,563,520	\$ 75,154	2017
02/23/12	Sewer Refunding.....	2.00-4.00	1,192,000	861,000	2027
04/05/12	Sewer.....	3.00-4.00	12,000,000	9,600,000	2032
08/22/14	Sewer.....	2.00-4.00	6,325,000	5,689,000	2035
	Sub-Total		\$ 21,080,520	\$ 16,225,154	
	Total Outstanding Bonds		\$ 50,933,520	\$ 36,050,154	
This Issue					
11/01/16	General Purpose.....	2.00-5.00	\$ 2,216,164	\$ 2,216,164	2037
11/01/16	School	2.00-5.00	15,003,836	15,003,836	2037
	Total This Issue		\$ 17,220,000	\$ 17,220,000	
	Grand Total		\$ 68,153,520	\$ 53,270,154	

¹ Debt service partially supported by sewer benefit assessments.

² Excludes Capital Leases.

Short Term Debt
As of November 1, 2016

As of this date of this Official Statement, the Town does not have any outstanding short term debt.

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 Fund ¹
Annual Long-Term Bonded Debt Service
As of November 1, 2016
(Pro Forma)

Fiscal Year	Pro-forma							Cumulative Principal Retired (%)
	Principal	Interest	Total	This Issue:			Total	
				Gen. Purp.	School	Total	Principal	
2017 ¹	\$ 1,375,154	\$ 674,427	\$ 2,049,581	\$ -	\$ -	\$ -	\$ 1,375,154	2.58
2018	3,515,000	1,173,756	4,688,756	111,164	753,836	865,000	4,380,000	10.80
2019	3,345,000	1,045,531	4,390,531	115,000	750,000	865,000	4,210,000	18.71
2020	3,330,000	908,981	4,238,981	115,000	750,000	865,000	4,195,000	26.58
2021	2,825,000	772,881	3,597,881	115,000	750,000	865,000	3,690,000	33.51
2022	2,720,000	670,131	3,390,131	110,000	750,000	860,000	3,580,000	40.23
2023	2,720,000	573,631	3,293,631	110,000	750,000	860,000	3,580,000	46.95
2024	2,710,000	480,919	3,190,919	110,000	750,000	860,000	3,570,000	53.65
2025	2,465,000	402,947	2,867,947	110,000	750,000	860,000	3,325,000	59.89
2026	1,880,000	345,981	2,225,981	110,000	750,000	860,000	2,740,000	65.04
2027	1,395,000	297,913	1,692,913	110,000	750,000	860,000	2,255,000	69.27
2028	1,225,000	256,194	1,481,194	110,000	750,000	860,000	2,085,000	73.18
2029	1,225,000	216,063	1,441,063	110,000	750,000	860,000	2,085,000	77.10
2030	1,225,000	174,163	1,399,163	110,000	750,000	860,000	2,085,000	81.01
2031	1,225,000	132,263	1,357,263	110,000	750,000	860,000	2,085,000	84.93
2032	1,220,000	90,075	1,310,075	110,000	750,000	860,000	2,080,000	88.83
2033	620,000	47,213	667,213	110,000	750,000	860,000	1,480,000	91.61
2034	620,000	24,963	644,963	110,000	750,000	860,000	1,480,000	94.39
2035	410,000	6,919	416,919	110,000	750,000	860,000	1,270,000	96.77
2036	-	-	-	110,000	750,000	860,000	860,000	98.39
2037	-	-	-	110,000	750,000	860,000	860,000	100.00
Total.....	\$ 36,050,154	\$ 8,294,949	\$ 44,345,103	\$ 2,216,164	\$ 15,003,836	\$ 17,220,000	\$ 53,270,154	

¹ Does not include \$2,338,756 of principal payments and \$611,741 of interest payments made between July 1, 2016 and November 1, 2016.

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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:

<i>District or Association</i>	<i>Outstanding Bonds</i>	<i>Outstanding Notes</i>	<i>Authorized But Unissued Debt</i>
Borough of Stonington.....	\$ -	\$ -	\$ -
Latimer Point Fire District.....	-	-	-
Lord's Point Association.....	-	18,400	-
Mason's Island Fire District.....	-	-	-
Mystic Fire District. ¹	65,000	821,623	-
Old Mystic Fire District. ²	-	190,714	-
Pawcatuck Fire District.....	-	1,174,369	-
Quiambug Fire District.....	-	-	-
Stonington Fire District.....	-	-	-
Wamphassuc Point Association.....	-	-	-
Wequetequock Fire District.....	-	-	-
<i>Total Net Underlying Debt</i>			
<i>(applicable to the Town of Stonington)</i>	\$ 65,000	\$ 2,205,106	\$ -

¹ The Mystic Fire District is a political subdivision located in the Towns of Stonington and Groton. The District has outstanding bonds of \$65,000 and outstanding notes payable of \$821,623 as of June 30, 2016. The District's debt is prorated to each town according to the District's total October 1, 2015 Net Taxable Grand List of the District for each town. Accordingly, the Town of Stonington has 27.36% (\$17,784 bonds and \$224,796 notes) and the Town of Groton has 72.64% (\$47,216 bonds and \$596,827 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 no outstanding bonds and outstanding notes payable of \$190,714 as of June 30, 2016. The District's debt is prorated to each town according to the District's total October 1, 2015 Net Taxable Grand list of the District for each town. Accordingly, the Town of Stonington has 52.37% (\$99,877 notes) and the Town of Groton has 47.63% (\$90,837 notes) of the District's total debt.

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Town of Stonington Debt Statement
As of November 1, 2016
(Pro-Forma)

Long-Term Debt:

Public Improvement (Includes this issue)	\$ 9,135,264
Schools (Includes this issue)	27,909,736
Sewers	16,225,154
Total Long-Term Debt	53,270,154

Short-Term Debt:

Bond Anticipation Notes	-
Total Direct Debt	53,270,154
Less: Amount Due from State of Connecticut - Principal Only (As of 6/30/16) ¹	-
Sewer Assessment Receivable (as of 6/30/2016)	-
Total Net Direct Debt	53,270,154
Plus: Underlying Debt	2,270,106
Total Overall Net Debt	\$ 55,540,260

¹ 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: Excludes capital leases.

Town of Stonington - Current Debt Ratios
As of November 1, 2016
(Pro-Forma)

Population ¹	18,539
Net Taxable Grand List (10/1/15)	\$2,625,839,807
Estimated Full Value (70%)	\$3,751,199,724
Equalized Net Taxable Grand List (10/1/13) ²	\$3,653,849,292
Income per Capita (2014) ¹	\$44,599
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	Total Net Direct Debt	Total Overall Net Debt
	\$53,270,154	\$53,270,154	\$55,540,260
Per Capita	\$ 2,873.41	\$ 2,873.41	\$ 2,995.86
Ratio to Net Taxable Grand List	2.03%	2.03%	2.12%
Ratio to Estimated Full Value	1.42%	1.42%	1.48%
Ratio to Equalized Grand List	1.46%	1.46%	1.52%
Debt per Capita to Income per Capita 2014	6.44%	6.44%	6.72%
Debt per Capita to Income per Capita 2010	6.81%	6.81%	7.10%

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 by the end of the third year and for each subsequent year during which the temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for 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 sewer projects, by the amount of time temporary financing has been outstanding.

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

Temporary notes may also be issued for up to 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 following the original date of issue (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 November 1, 2016
(Pro-Forma)

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2016. ⁵	\$ 56,259,574
Total Tax Collections (including interest and lien fees of borough and all other taxing districts within the Town) for the year ended June 30, 2016.	4,461,491
Reimbursement for Revenue Loss On:	
Tax relief for elderly freeze	2,138
Base for Debt Limitation Computation	<u>\$ 60,723,203</u>

Debt Limitation:	General Purposes	Schools	Sewers	Urban Renewal	Past Pension
2 ¹ / ₄ times base	\$ 136,627,207	\$ -	\$ -	\$ -	\$ -
4 ¹ / ₂ times base	-	273,254,414	-	-	-
3 ³ / ₄ times base	-	-	227,712,011	-	-
3 ¹ / ₄ times base	-	-	-	197,350,410	-
3 times base	-	-	-	-	182,169,609
Total Debt Limitation	136,627,207	273,254,414	227,712,011	197,350,410	182,169,609
Indebtedness:					
Outstanding Debt: ¹					
Bonds	6,919,100	12,905,900	16,225,154	-	-
This Issue – The Bonds	2,216,164	15,003,836	-	-	-
Underlying Debt: ²					
Bonds & Serial Notes	1,383,483	-	-	-	-
Authorized & Unissued	-	-	-	-	-
Authorized & Unissued	85,000	55,375,828	2,625,000	-	-
Total Indebtedness	10,603,747	83,285,564	18,850,154	-	-
Less: School Grants Receivable ³	-	-	-	-	-
Sewer Assessment Receivable ⁴	-	-	-	-	-
Total Net Indebtedness for Debt Limitation Calculation	\$ 10,603,747	\$ 83,285,564	\$ 18,850,154	\$ -	\$ -
Debt Limitation in Excess of Indebtedness	<u>\$ 126,023,460</u>	<u>\$ 189,968,850</u>	<u>\$ 208,861,857</u>	<u>\$ 197,350,410</u>	<u>\$ 182,169,609</u>

¹ Excludes capital leases.

² Includes underlying debt of the Borough of Stonington, Wequetequock Fire District, Old Mystic Fire District, the Pawcatuck Fire District, and the Lord's Point Fire District. The prorated underlying debt of the Mystic Fire District's outstanding bonds of \$65,000 and notes of \$822,240 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.

⁴ Represents estimated Sewer Assessments receivable as of June 30, 2016.

⁵ Subject to audit.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$425,062,421.

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

**Authorized But Unissued Debt
As of November 1, 2016
(Pro Forma)**

Project	Authorized	Bonds Issued	Grants/ Paydowns	The Bonds	Debt Authorized but Unissued			
					General Purpose	Schools	Sewers	Total
Mystic Middle School.....	\$ 9,135,000	\$ 5,720,000	\$ 3,026,301	\$ -	\$ -	\$ 388,699	\$ -	\$ 388,699
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
Land Purchase.....	2,216,164	-	-	2,216,164	-	-	-	-
West Vine St School, Deans Mill and Pawcatuck Middle School Projects...	69,000,000	-	-	15,003,836	-	53,996,164	-	53,996,164
Totals.....	\$ 130,432,164	\$ 39,931,800	\$ 15,194,536	\$ 17,220,000	\$ 85,000	\$ 55,375,828	\$ 2,625,000	\$ 58,085,828

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

Long-Term Debt ¹	2016 ²	2015	2014	2013	2012
Bonds	\$ 38,388,911	\$ 42,111,291	\$ 37,227,156	\$ 36,276,538	\$ 39,619,464
Short-Term Debt					
Notes	-	-	6,585,000	-	-
Total	\$ 38,388,911	\$ 42,111,291	\$ 43,812,156	\$ 36,276,538	\$ 39,619,464

¹ Includes State of Connecticut Clean Water Fund Loans.

² Subject to audit.

Source: Town of Stonington Audit Reports, 2012-2015. Finance Department, 2016 (subject to audit).

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

Fiscal Year Ended 6/30	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
2016 ⁴	\$ 2,622,270,316	\$ 3,746,100,451	\$ 38,388,910	1.46%	1.02%	2,070.71	18,539	4.64%
2015	2,600,089,853	3,714,414,076	41,942,869	1.61%	1.13%	2,262.41	18,539	5.07%
2014	2,592,616,626	3,703,738,037	37,058,735	1.43%	1.00%	1,998.96	18,539	4.48%
2013	3,188,439,949	4,554,914,213	36,108,116	1.13%	0.79%	1,948.95	18,527	4.37%
2012	3,166,252,253	4,523,217,504	39,451,042	1.25%	0.87%	2,129.27	18,528	4.77%
2011	3,152,045,021	4,502,921,459	30,972,541	0.98%	0.69%	1,675.82	18,482	3.76%

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 2014-2016 are 2009-2014 estimates.

³ U.S. Census Bureau, American Community Survey, 2010-2014: Money Income Per Capita \$44,599.

⁴ Subject to audit.

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

<i>Fiscal Year Ended 6/30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Total General Fund Expenditures</i>	<i>Ratio of Total Debt Service Expenditures To Total General Fund Expenditures</i>
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%

Source: Town of Stonington Audit Reports, 2012-2015. Finance Department, 2016 (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, 2015, the examination was conducted by CohnReznick LLP, and Certified Public Accountants, New London, Connecticut 06320.

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 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. 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, 2016 the balance in the trust is \$1,381,960. 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.

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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)**

	Budget	Estimated	Actual	Actual	Actual	Actual
Revenues:	2016-17 ¹	Actual	2014-15	2013-14	2012-13	2011-12
Property Taxes	\$ 58,362,713	\$ 56,259,574	\$ 53,836,879	\$ 51,736,929	\$ 50,793,373	\$ 49,741,364
Intergovernmental Revenues.....	2,330,500	2,426,848	5,473,746	6,672,590	5,827,721	5,544,730
Charges for Services and Assessments.....	2,444,500	2,892,739	2,746,774	2,902,421	2,851,363	2,837,422
Income from Investments	119,500	27,818	189,134	195,066	167,220	163,222
Other Revenues.....	160,800	604,173	-	-	-	-
Total Revenues	\$ 63,418,013	\$ 62,211,152	\$ 62,246,533	\$ 61,507,006	\$ 59,639,677	\$ 58,286,738
Expenditures:						
General Government.....	\$ 8,080,379	\$ 7,423,221	\$ 7,266,648	\$ 7,182,511	\$ 7,040,664	\$ 7,022,971
Public Safety.....	5,202,896	5,095,976	4,616,011	4,377,609	4,407,861	4,266,793
Highway department.....	2,398,140	2,362,536	2,480,175	2,344,922	3,126,548	2,101,443
Sanitation and Waste Removal.....	2,597,310	2,440,405	2,385,461	2,340,832	2,338,083	2,300,201
Human Services.....	424,588	381,829	312,949	341,696	362,316	389,321
Social Services.....	290,500	266,500	255,329	231,527	210,131	207,965
Recreation.....	98,829	96,548	91,093	92,277	89,281	112,897
Libraries.....	329,500	319,500	304,810	284,810	284,810	269,810
Payments to Other Civic Divisions.....	197,370	172,177	175,700	221,747	153,473	167,581
Education.....	36,267,121	35,125,087	37,234,199	37,748,407	36,055,893	35,002,770
Debt Service.....	5,006,100	5,129,384	4,738,573	4,631,674	4,689,081	4,047,096
Capital Outlay.....	-	-	-	-	-	-
Total Expenditures	60,892,733	58,813,163	59,860,948	59,798,012	58,758,141	55,888,848
Revenues over (under) expenditures.....	2,525,280	3,397,989	2,385,585	1,708,994	881,536	2,397,890
Other Financing Sources Uses:						
Bond Premiums.....	-	-	140,902	-	-	385,955
Use of Fund Balance.....	550,000	-	-	-	-	-
Operating Transfers in.....	45,000	45,000	45,000	-	45,000	-
Operating transfers (out).....	(3,120,280)	(2,089,561)	(1,665,122)	(2,453,712)	(1,263,733)	(1,361,315)
Total other Financing Sources (uses)	(2,525,280)	(2,044,561)	(1,479,220)	(2,453,712)	(1,218,733)	(975,360)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,353,428	\$ 906,365	\$ (744,718)	\$ (337,197)	\$ 1,422,530
Fund Balance, July 1	15,324,753	13,971,325	13,064,960	13,809,678	14,146,875	12,724,345
Fund Balance, June 30	\$ 15,324,753	\$ 15,324,753	\$ 13,971,325	\$ 13,064,960	\$ 13,809,678	\$ 14,146,875

¹ Budgetary basis. Subject to audit.

Analysis of General Fund Equity

	Estimated	Actual	Actual	Actual	Actual
Fund Balances	Actual	2014-15	2013-14	2012-13	2011-12
Restricted.....	N/A	\$ -	\$ -	\$ -	\$ -
Committed.....	N/A	-	-	-	-
Assigned.....	N/A	431,163	427,574	1,665,601	2,005,146
Unassigned.....	N/A	13,540,162	12,637,386	12,144,077	12,141,729
Total Fund Equity	N/A	\$ 13,971,325	\$ 13,064,960	\$ 13,809,678	\$ 14,146,875

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
	2016-17	2017-18	2018-19	2019-20	2020-21	
<i>Board of Education</i>	\$ 1,054,680	\$ 1,154,400	\$ 920,000	\$ 800,000	\$ 754,000	\$ 4,683,080
<i>General Government:</i>						
General Operations.....	92,500	100,000	80,000	80,000	80,000	432,500
Police Services.....	559,000	219,000	180,000	223,000	170,000	1,351,000
Planning Department.....	70,000	70,000	70,000	70,000	70,000	350,000
Finance Department.....	-	-	-	-	-	-
Highway.....	1,110,044	1,386,644	981,244	1,037,544	1,033,644	5,549,120
Sanitation and Waste Removal....	-	-	-	-	-	-
General/Town Facilities.....	-	-	-	-	-	-
Outside Agencies.....	45,000	-	-	-	-	45,000
<i>Total General Government</i>	<i>1,876,544</i>	<i>1,775,644</i>	<i>1,311,244</i>	<i>1,410,544</i>	<i>1,353,644</i>	<i>7,727,620</i>
Total Project Costs	\$ 2,931,224	\$ 2,930,044	\$ 2,231,244	\$ 2,210,544	\$ 2,107,644	\$ 12,410,700
<u>Funding Sources</u>						
General Fund.....	\$ 2,820,280	\$ 2,819,100	\$ 2,120,300	\$ 2,099,600	\$ 1,996,700	\$ 11,855,980
General Obligation Bonds	-	-	-	-	-	-
Other	110,944	110,944	110,944	110,944	110,944	554,720
Total Funding Sources	\$ 2,931,224	\$ 2,930,044	\$ 2,231,244	\$ 2,210,544	\$ 2,107,644	\$ 12,410,700

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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 affect upon its financial position.

Transcript and Closing Documents

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

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

2. A Certificate on behalf of the Town signed by the 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 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.

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

5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C 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 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 financial 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.

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. 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*

Vincent Pacileo III, *Director Administrative Services*

Dated: October 19, 2016

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, 2015. The supplemental data, which was a part of that report, has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Independent Auditor's Report

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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Stonington, Connecticut, as of June 30, 2015, 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 67 to 76, 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.

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 schedule of expenditures of Federal awards and the schedule of expenditures of state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Act and are also not a required part of the basic financial statements.

The supplemental schedules, the schedule of expenditures of Federal awards and the schedule of expenditures of state financial assistance 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, the schedule of expenditures of Federal awards and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 28, 2015, 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Hartford, Connecticut
December 28, 2015

Management's Discussion and Analysis

June 30, 2015

As management of the Town of Stonington, Connecticut, we offer readers of the Town of Stonington's financial statements this narrative overview and analysis of the financial activities of the Town of Stonington for the fiscal year ended June 30, 2015. 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 68 related to pensions. GASB 68 required that the net pension liability be recorded on the government-wide financial statements. The result of implementing GASB 68 was a prior period adjustment as of July 1, 2014 to record the net pension liability and related adjustments of \$3,390,018. The current year pension expense was \$2,129,334 and the net pension liability at June 30, 2015 was \$4,233,036.
- ♦ The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$110,561,401 (net position).
- ♦ The Town's total net position decreased by \$1,003,470. The major factors leading to the decrease were year-to-year net increases in expenditures across most departments totaling \$1,263,000, coupled with an overall net decrease in charges for services of \$179,000 across all departments. Operating and capital grants across all departments also decreased significantly by \$1,666,000 and \$203,000 for operating and capital grants, respectively, resulting in a negative net change of \$3,311,000 in net position from prior year, across all departments. This negative change in net position was partially offset by a net increase in general revenues of \$1,611,000, which is comprised of an increase in property taxes over prior year of \$1,778,000 coupled with decreases in unrestricted grants and miscellaneous revenues of \$168,000 below prior year.
- ♦ As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$21,543,235, a decrease of \$1,865,123 in comparison with the prior year.
- ♦ At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,540,162, or 23.1% of total general fund budgetary expenditures and transfers.
- ♦ The Town of Stonington's total long-term debt decreased by \$436,073 during the current fiscal year. The decrease was due to several factors that include the issuance of \$1,655,000 of general obligation bonds offset by principal payments of \$3,355,866 on current debt and a net increase in the net pension liability of \$1,031,267.

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, liabilities and deferred inflows 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, health and welfare, 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.

Governmental funds (continued)

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

The Town maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Bonded Capital Projects, which are considered to be major funds. Data from the other 20 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 its 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.

Government-Wide Financial Analysis

Town of Stonington, Connecticut Statements of Net Position

	2015	2014 (as restated)
Current and other assets	\$ 31,174,488	\$ 33,913,641
Capital assets (net)	131,514,812	131,302,418
Total assets	162,689,300	165,216,059
Deferred outflows of resources	3,493,131	2,010,700
Other liabilities	7,973,509	8,034,387
Long-term liabilities	46,783,396	47,627,501
Total liabilities	54,756,905	55,661,888
Deferred inflows of resources	864,125	-
Net position:		
Net investment in capital assets	88,407,197	89,847,001
Restricted	583,674	638,320
Unrestricted	21,570,530	21,079,550
Total net position	\$ 110,561,401	\$ 111,564,871

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 \$110,561,401 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (80%) 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.

A small portion of the Town's net position, 0.5%, represents resources that are subject to external restrictions on how they may be used.

The remaining balance, or 19.5%, 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.

Governmental activities**Town of Stonington, Connecticut
Statements of Changes in Net Position**

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 5,741,620	\$ 5,920,425
Operating grants and contributions	6,542,596	8,208,821
Capital grants and contributions	200,392	403,710
General revenues:		
Property taxes	53,659,623	51,881,485
Grants and contributions not restricted to specific programs	294,518	417,790
Investment income	194,228	196,867
Miscellaneous	16,464	58,151
Total revenues	66,649,441	67,087,249
Expenses:		
General government	7,453,587	7,433,041
Public safety	5,665,553	5,422,414
Highway department	4,218,571	4,400,717
Sanitation and waste removal	5,324,794	5,743,250
Health and welfare	727,211	725,329
Library	304,810	284,810
Recreation	185,163	171,977
Education	42,278,343	40,881,875
Interest on long-term debt	1,494,879	1,326,010
Total expenses	67,652,911	66,389,423
Increase in net position	(1,003,470)	697,826
Net position - July 1 (as restated)	111,564,871	114,257,063
Restatement for net pension liability	-	(3,390,018)
Net position - June 30	\$ 110,561,401	\$ 111,564,871

For governmental activities, approximately 80.5% of revenues were derived from property taxes, followed by grants and contributions 10.6%, charges for services 8.6% and investment earnings/miscellaneous 0.3%.

Major revenue factors included:

- ♦ Property tax revenues recorded during the fiscal year reflect an increase of 3.4% due to the increase in the mill rate from 19.88 in 2013-14 to 20.43 in 2014-15.

Governmental activities (continued)

For governmental activities, approximately 62.5% of the Town's expenses relates to education, followed by 11.0% to general government, 8.4% to public safety, 7.9% to sanitation and waste removal, 6.2% to highway department, 2.2% to interest on long-term debt, 1.0% to health and welfare, 0.3% to recreation and 0.5% to library.

- ♦ Education expenses in the general fund increased by 3.4% from \$40.9 million to \$42.3 million due to contractual agreements and an increase in the State's on-behalf contribution into the State Teachers' Retirement System.

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

In the governmental funds, fund balance is reported in 5 categories. The following are the categories and definitions:

Nonspendable fund balance - cannot be spent because of their form or must be maintained intact.

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.

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.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$21,543,235, a decrease of \$1,865,123 in comparison with the prior year. \$13,540,162, or 62.9%, 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. Restricted due to grant restrictions or legal requirements (\$583,674).
2. Committed for Capital Projects, Sewer Assessments, and Sewer Usage (\$4,734,566).
3. Assigned for subsequent year's budget, encumbrances or specific purposes (\$2,684,833).

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 \$13,540,162, while total fund balance reached \$13,971,325. 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 23.1% of total general fund budgetary expenditures and transfers, while total fund balance represents 23.9% of that same amount.

During the current fiscal year, the fund balance of the Town's general fund increased by \$906,365. The increase was attributable to general revenues exceeding general expenditures by \$2,385,585, which exceeded prior year's figure by \$677,000. Other financing sources (uses) netted to negative \$1,479,220, which was driven mainly by transfers out of \$1,281,434 to the Capital Nonrecurring Fund. The net of these two figures resulted in the current year increase to the general fund, fund balance of \$906,365.

The Bonded Capital Projects Fund had a decrease of \$2,018,415 in its fund balance due to expenditures on WPCA, Road Improvements, and Field Improvement projects, that were bonded for in the previous fiscal years.

Proprietary fund

The Internal Service Fund is the Town's only proprietary fund. Unrestricted net position in the fund at year end was \$3,735,618, a decrease of \$13,210 from the prior year

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$513,761. The difference between the original budget and the final budget is due to an additional appropriation approved by the Board of Finance:

- ♦ Transfers out to capital nonrecurring fund of \$125,000 for school security improvements.
- ♦ Additional appropriation of \$168,000 to the highway department to fund deficit in snow removal accounts.
- ♦ Additional appropriation of \$53,000 to the education line item.
- ♦ Additional appropriation of \$121,000 to debt service.
- ♦ Additional appropriations of \$46,500 for various general government departments.

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$131,514,812 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land and building improvements, buildings, machinery and equipment, infrastructure and vehicles.

Town of Stonington, Connecticut Capital Assets (Net of Depreciation)

	2015	2014
	<hr/>	<hr/>
Land	\$ 11,028,391	\$ 11,028,391
Construction in progress	18,600,650	15,953,408
Land and building improvements	6,847,353	7,127,994
Buildings	34,945,280	36,224,902
Machinery and equipment	1,550,636	1,706,746
Infrastructure	57,382,359	58,325,165
Vehicles	1,160,143	935,812
	<hr/>	<hr/>
Total	<u>\$ 131,514,812</u>	<u>\$ 131,302,418</u>

The capital assets (net of depreciation) increased in the current year by \$212,394. The increase is due to the construction in progress for the WPCA treatment plants. In the current year, the Town had capital asset additions totaling \$4,042,636. The additions consisted mainly of the following:

- ♦ Wastewater Treatment Facility - \$2.5 million
- ♦ Field renovations - \$150,000
- ♦ (2) Highways trucks - \$320,000
- ♦ Multiple road paving and sidewalk projects - \$860,000.

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

Long-term and short-term debt

At the end of the fiscal year, the Town had bonded debt and clean water loans outstanding of \$42,111,291. All debt is backed by the full faith and credit of the Town.

Town of Stonington, Connecticut Outstanding Debt

	2015	2014
	<hr/>	<hr/>
General obligation bonds and notes	<u>\$ 42,111,291</u>	<u>\$ 37,227,157</u>

During the current fiscal year, the Town's total bonded debt decreased by \$1,700,866. The increase was due to the issuance of \$1,655,000 of bonds offset by principal payments of \$3,355,866 on outstanding bonded debt.

In February 2014, Moody's upgraded the Town's credit rating from a "Aa2" to a "Aa1" for general obligation debt.

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 \$406,944,195, 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 2015, the unemployment rate not seasonally adjusted for the Town was at 4.5%, which compares favorably to the state's average unemployment rate of 5.5% and a national unemployment rate of 5.2%.

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
June 30, 2015

	<u>Assets</u>	<u>Governmental Activities</u>
Current assets:		
Cash		\$ 14,344,686
Investments		13,592,786
Receivables:		
Property taxes		762,626
Loans		224,200
Assessments/user charges		807,576
Intergovernmental		818,623
Other		358,497
Other		20,087
Total current assets		<u>30,929,081</u>
Noncurrent assets:		
Receivables (net):		
Property taxes		104,201
Assessments/user charges		141,206
Total receivables (net)		<u>245,407</u>
Capital assets (net of accumulated depreciation):		
Land		11,028,391
Construction in progress		18,600,650
Land and building improvements		6,847,353
Buildings		34,945,280
Machinery and equipment		1,550,636
Infrastructure		57,382,359
Vehicles		1,160,143
Total capital assets		<u>131,514,812</u>
Total noncurrent assets		<u>131,760,219</u>
Total assets		<u>162,689,300</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions		2,061,620
Deferred charges on refunding		1,431,511
Total deferred outflows of resources		<u>3,493,131</u>

(Continued)

Town of Stonington, Connecticut

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 2,987,529
Accrued payroll and related liabilities	271,855
Accrued interest payable	429,563
Unearned revenue	171,802
Internal balances	56,608
Bonds and notes payable	3,722,380
Compensated absences	308,772
Landfill postclosure costs	25,000
	<hr/>
Total current liabilities	7,973,509
	<hr/>
Noncurrent liabilities:	
Bonds, notes, and related liabilities	40,574,575
Compensated absences	1,235,088
Landfill postclosure costs	225,000
Heart and hypertension	498,814
Net pension liability	4,233,036
Net OPEB liability	16,883
	<hr/>
Total noncurrent liabilities	46,783,396
	<hr/>
Total liabilities	54,756,905
	<hr/>
<u>Deferred Inflows of Resources</u>	
Deferred inflows related to pensions	864,125
	<hr/>
<u>Net Position</u>	
Net investment in capital assets	88,407,197
Restricted for:	
Public safety	5,125
Highway department	280,488
Sanitation and waste removal	181,673
Human services	10,133
Education	106,255
Unrestricted	21,570,530
	<hr/>
Total net position	\$ 110,561,401
	<hr/>

(Concluded)

Town of Stonington, Connecticut

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 7,453,587	\$ 729,068	\$ 48,077	\$ -	\$ (6,676,442)
Public safety	5,665,553	49,590	96,336	-	(5,519,627)
Highway department	4,218,571	277,393	-	200,392	(3,740,786)
Sanitation and waste removal	5,324,794	3,967,686	-	-	(1,357,108)
Health and welfare	727,211	79,759	35,150	-	(612,302)
Library	304,810	-	-	-	(304,810)
Recreation	185,163	111,142	19,373	-	(54,648)
Education	42,278,343	526,982	6,343,660	-	(35,407,701)
Interest expense	1,494,879	-	-	-	(1,494,879)
Total governmental activities	<u>\$ 67,652,911</u>	<u>\$ 5,741,620</u>	<u>\$ 6,542,596</u>	<u>\$ 200,392</u>	<u>\$ (55,168,303)</u>
General revenues:					
Property taxes					\$ 53,659,623
Grants and contributions not restricted to specific programs					294,518
Investment income					194,228
Miscellaneous					16,464
Total general revenues					<u>54,164,833</u>
Change in net position					(1,003,470)
Net position - July 1, 2014 (as restated)					<u>111,564,871</u>
Net position - June 30, 2015					<u>\$ 110,561,401</u>

See Notes to Financial Statements.

Town of Stonington, Connecticut

Balance Sheet
Governmental Funds
June 30, 2015

	General	Bonded Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 6,497,910	\$ -	\$ 5,106,100	\$ 11,604,010
Investments	13,582,784	-	10,002	13,592,786
Receivables, net:				
Property taxes	724,111	-	-	724,111
Loans	-	-	224,200	224,200
Assessments/use charges	-	-	948,782	948,782
Intergovernmental	196,602	550,000	72,021	818,623
Other	354,845	-	3,652	358,497
Due from other funds	1,141,487	3,180,493	816,861	5,138,841
Other assets	20,087	-	-	20,087
Total assets	<u>\$ 22,517,826</u>	<u>\$ 3,730,493</u>	<u>\$ 7,181,618</u>	<u>\$ 33,429,937</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,998,959	\$ 336,012	\$ 157,558	\$ 2,492,529
Accrued payroll and related liabilities	271,855	-	-	271,855
Due to other funds	5,506,087	850,755	328,549	6,685,391
Unearned revenue	4,034	-	167,768	171,802
Total liabilities	<u>7,780,935</u>	<u>1,186,767</u>	<u>653,875</u>	<u>9,621,577</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue-property taxes	580,054	-	-	580,054
Unavailable revenue-sewer charges and assessments	-	-	725,359	725,359
Unavailable revenue-loans receivable	-	-	224,200	224,200
Unavailable revenue-intergovernmental receivable	185,512	550,000	-	735,512
Total deferred inflows of resources	<u>765,566</u>	<u>550,000</u>	<u>949,559</u>	<u>2,265,125</u>
<u>Fund Balances</u>				
Restricted	-	-	583,674	583,674
Committed	-	1,993,726	2,740,840	4,734,566
Assigned	431,163	-	2,253,670	2,684,833
Unassigned	13,540,162	-	-	13,540,162
Total fund balances	<u>13,971,325</u>	<u>1,993,726</u>	<u>5,578,184</u>	<u>21,543,235</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,517,826</u>	<u>\$ 3,730,493</u>	<u>\$ 7,181,618</u>	<u>\$ 33,429,937</u>

(Continued)

Town of Stonington, Connecticut
Reconciliation of Fund Balances
to Net Position of Governmental Activities
June 30, 2015

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit C, Page 1)	\$ 21,543,235
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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 and current additions	135,345,054
Depreciation expense	(3,817,646)
Disposal of capital assets	(12,596)

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	194,716
Allowance for doubtful accounts	(52,000)
Deferred outflows related to pensions	2,061,620

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	1,529,613
Intergovernmental receivable-accrual basis change	735,512

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	3,735,618
---	-----------

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	(42,111,291)
Premiums	(2,185,664)
Deferred charges on refunding	1,431,511
Compensated absences	(1,543,860)
Landfill postclosure costs	(250,000)
Heart and hypertension	(498,814)
Net OPEB liability	(16,883)
Net pension liability	(4,233,036)
Accrued interest payable	(429,563)
Deferred inflows related to pensions	(864,125)

Net position of governmental activities	\$ 110,561,401
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(Concluded)

Town of Stonington, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Bonded Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 53,836,879	\$ -	\$ -	\$ 53,836,879
Intergovernmental	5,473,746	-	1,563,760	7,037,506
Charges for services	2,746,774	-	3,065,805	5,812,579
Income from investments	189,134	-	4,496	193,630
Other	-	-	16,464	16,464
Total revenues	<u>62,246,533</u>	<u>-</u>	<u>4,650,525</u>	<u>66,897,058</u>
Expenditures:				
Current:				
General government	7,266,648	-	114,397	7,381,045
Public safety	4,616,011	-	156,790	4,772,801
Highway department	2,480,175	-	200,392	2,680,567
Sanitation and waste removal	2,385,461	-	2,331,388	4,716,849
Human services	312,949	-	-	312,949
Social services	255,329	-	-	255,329
Recreation	91,093	-	94,070	185,163
Libraries	304,810	-	-	304,810
Payments to other civic divisions	175,700	-	-	175,700
Education	37,234,199	-	1,739,308	38,973,507
Debt service	4,738,573	120,917	-	4,859,490
Capital outlay	-	3,552,498	2,387,375	5,939,873
Total expenditures	<u>59,860,948</u>	<u>3,673,415</u>	<u>7,023,720</u>	<u>70,558,083</u>
Excess (deficiency) of revenues over expenditures	<u>2,385,585</u>	<u>(3,673,415)</u>	<u>(2,373,195)</u>	<u>(3,661,025)</u>
Other financing sources (uses):				
Issuance of debt	-	1,655,000	-	1,655,000
Premiums	140,902	-	-	140,902
Transfers in	45,000	-	1,715,122	1,760,122
Transfers out	(1,665,122)	-	(95,000)	(1,760,122)
Net other financing sources (uses)	<u>(1,479,220)</u>	<u>1,655,000</u>	<u>1,620,122</u>	<u>1,795,902</u>
Net change in fund balances	906,365	(2,018,415)	(753,073)	(1,865,123)
Fund balances - July 1, 2014	<u>13,064,960</u>	<u>4,012,141</u>	<u>6,331,257</u>	<u>23,408,358</u>
Fund balances - June 30, 2015	<u>\$ 13,971,325</u>	<u>\$ 1,993,726</u>	<u>\$ 5,578,184</u>	<u>\$ 21,543,235</u>

Town of Stonington, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (1,865,123)

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	4,042,636
Depreciation expense	<u>(3,817,646)</u>
 Total	 <u>224,990</u>

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 assets differs from the change in fund balance by the cost of the capital assets sold

(12,596)

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	(196,477)
Change in property tax interest and lien revenue	<u>(51,738)</u>
 Total	 <u>(248,215)</u>

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	(1,655,000)
Principal payments:	
General obligation bonds and notes	3,355,866
Premiums	28,413
Deferred charges on refunding	<u>(84,207)</u>
 Total	 <u>1,645,072</u>

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	(207,592)
Accrued interest payable	(76,363)
Pension expense	(328,754)
Net OPEB asset	(67,332)
Net OPEB liability	(16,883)
Heart and hypertension	(62,464)
Landfill postclosure costs	<u>25,000</u>
 Total	 <u>(734,388)</u>

Internal service funds are used by management to charge costs of medical insurance premiums to individual departments

The net revenues (expenses) of the activities of the internal service fund is reported with governmental activities (13,210)

Change in net position of governmental activities (Exhibit B) \$ (1,003,470)

Town of Stonington, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 53,078,373	\$ 53,078,373	\$ 53,836,879	\$ 758,506
Intergovernmental	2,451,389	2,451,389	2,332,701	(118,688)
Charges for services	2,500,100	2,500,100	2,746,774	246,674
Revenues from use of Town money and property	147,300	147,300	189,134	41,834
Total revenues	58,177,162	58,177,162	59,105,488	928,326
Expenditures:				
Current:				
General government	7,605,373	7,470,234	7,240,134	230,100
Public safety	4,591,761	4,721,180	4,617,634	103,546
Highway department	2,324,980	2,545,299	2,488,530	56,769
Sanitation and waste removal	2,460,188	2,460,188	2,385,461	74,727
Human services	356,882	356,882	346,337	10,545
Social services	256,029	256,029	255,329	700
Recreation	97,511	97,511	86,893	10,618
Libraries	304,810	304,810	304,810	-
Payments to other civic divisions	175,700	175,700	175,700	-
Education	34,272,784	34,241,891	34,237,211	4,680
Debt service	4,618,210	4,739,577	4,738,573	1,004
Total expenditures	57,064,228	57,369,301	56,876,612	492,689
Excess of revenues over expenditures	1,112,934	807,861	2,228,876	1,421,015
Other financing sources (uses):				
Appropriation of fund balance	290,500	804,261	-	(804,261)
Premium on bond issuance	-	-	140,902	140,902
Cancellation of prior year encumbrances	8,000	8,000	65,020	57,020
Transfers in	45,000	45,000	45,000	-
Transfers out	(1,456,434)	(1,665,122)	(1,665,122)	-
Net other financing sources (uses)	(1,112,934)	(807,861)	(1,414,200)	(606,339)
Net change in fund balance	\$ -	\$ -	814,676	\$ 814,676
Fund balance - July 1, 2014			12,927,886	
Fund balance - June 30, 2015			\$ 13,742,562	

Town of Stonington, Connecticut

Statement of Net Position
 Proprietary Funds
 June 30, 2015

	Governmental Activities
	<hr/>
	Internal Service Fund
	<hr/>
<u>Assets</u>	
Current assets:	
Cash	\$ 2,740,676
Due from other funds	<hr/> 1,489,942
Total current assets	<hr/> 4,230,618
<u>Liability</u>	
Current liability:	
Accounts payable	<hr/> 495,000
<u>Net Position</u>	
Unrestricted	<hr/> <hr/> \$ 3,735,618

Town of Stonington, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating revenues:	
Charges for services	<u>\$ 7,197,535</u>
Operating expenses:	
Medical claims	5,958,549
Administration and other	<u>1,252,794</u>
Total operating expenses	<u>7,211,343</u>
Operating income (loss)	(13,808)
Nonoperating revenues:	
Investment income	<u>598</u>
Change in net position	(13,210)
Net position - July 1, 2014	<u>3,748,828</u>
Net position - June 30, 2015	<u><u>\$ 3,735,618</u></u>

Town of Stonington, Connecticut

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Governmental Activities
	<u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash received for charges	\$ 6,153,363
Cash paid for claims and other	(5,938,549)
Cash paid for administration	<u>(1,252,794)</u>
Net cash provided by (used in) operating activities	(1,037,980)
Cash flows from investing activities:	
Investment income	<u>598</u>
Net increase (decrease) in cash and cash equivalents	(1,037,382)
Cash and cash equivalents - July 1, 2014	<u>3,778,058</u>
Cash and cash equivalents - June 30, 2015	<u><u>\$ 2,740,676</u></u>
Reconciliation to Exhibit G - Cash:	
Cash and cash equivalents per above	\$ 2,740,676
Cash and cash equivalents reported as investments	<u>-</u>
Cash - Exhibit G	<u><u>\$ 2,740,676</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (13,808)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	(1,044,172)
Increase (decrease) in:	
Accounts payable	<u>20,000</u>
Net cash provided by (used in) operating activities	<u><u>\$ (1,037,980)</u></u>

Town of Stonington, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension Trust Fund	Police OPEB Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>					
Cash	\$ -	\$ 53,731	\$ 3,842	\$ 18,503	\$ 381,901
Investments:					
Certificates of deposit	1,235,289	25,118	-	124,148	
Equities	-	329,089	212,604	-	-
Corporate bonds	-	307,541	283,505	-	-
U.S. government agency obligations	-	97,469	98,217	-	-
Equity mutual funds	19,213,806	255,404	164,946	-	-
Money market mutual funds	-	19,772	60,289	-	-
Fixed income mutual funds	9,041,259	86,989	110,427	-	-
Municipal bonds	-	56,298	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	29,490,354	1,177,680	929,988	124,148	-
Due from other funds	-	25,000	-	-	31,608
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	29,490,354	1,256,411	933,830	142,651	413,509
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Liability</u>					
Liability:					
Accounts payable	-	-	-	-	413,509
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Net Position</u>					
Net position held in trust for pension benefits and other trusts	<u>\$ 29,490,354</u>	<u>\$ 1,256,411</u>	<u>\$ 933,830</u>	<u>\$ 142,651</u>	<u>\$ -</u>

Town of Stonington, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Pension Trust Fund	Police OPEB Trust Fund	OPEB Trust Fund	Private- Purpose Trust Fund
Additions:				
Contributions:				
Employer	\$ 1,103,588	\$ 75,580	\$ 90,000	\$ -
Employee	219,235	50,580	-	-
Total contributions	1,322,823	126,160	90,000	-
Investment income (loss):				
Net change in fair value of investments	(265,757)	(6,348)	(9,513)	-
Interest and dividends	526,775	34,245	30,513	1,412
Total investment income (loss)	261,018	27,897	21,000	1,412
Less investment expense	27,505	-	-	-
Net investment income (loss)	233,513	27,897	21,000	1,412
Total additions	1,556,336	154,057	111,000	1,412
Deductions:				
Benefits	1,353,367	12,513	-	5,398
Administration	32,251	18,000	10,847	-
Total deductions	1,385,618	30,513	10,847	5,398
Change in net position	170,718	123,544	100,153	(3,986)
Net position - July 1, 2014	29,319,636	1,132,867	833,677	146,637
Net position - June 30, 2015	\$ 29,490,354	\$ 1,256,411	\$ 933,830	\$ 142,651

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**History and organization**

The Town of Stonington 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
June 30, 2015

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 *Bonded Capital Projects Fund* accounts for the financial revenues to be used for major capital asset construction and/or purchases.

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
June 30, 2015

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.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

Investments for the Town are reported at fair value.

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 8% of outstanding receivable balances at June 30, 2015 and are calculated based upon prior collections.

In the fund financial statements, all property taxes and sewer usage receivables at June 30, which have not been collected within sixty days of June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current year. Taxes and sewer usage charges 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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
June 30, 2015

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
June 30, 2015**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 related to contributions made by the Town after the measurement date and the net difference between projected and actual earnings on pension plan investments. These deferred outflows will be amortized over the average remaining service life of all 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 pensions for the difference between expected and actual experience of the pension plan, for the net difference between projected and actual earnings on pension plan investments and for changes in actuarial assumptions. These deferred inflows will be amortized over a four year period.

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
June 30, 2015

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 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.

Town of Stonington, Connecticut**Notes to Financial Statements
June 30, 2015**

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.

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 1 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 the fifteenth day of March, the First Selectman shall present to the Board of Finance an itemized annual operating budget, including the Board of Education budget.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

- 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.

- 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 \$513,761 made during the year.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

- 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.
- 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 - June 30, 2015	\$ 59,105,488	\$ 56,876,612	\$ 13,742,562
Encumbrances outstanding at June 30, 2014 liquidated during the year ended June 30, 2015	-	72,054	-
Encumbrances outstanding at June 30, 2015, charged to budgetary expenditures	-	(228,763)	228,763
State Teachers' Retirement on-behalf payment	<u>3,141,045</u>	<u>3,141,045</u>	<u>-</u>
Balance, GAAP Basis, Exhibit D - June 30, 2015	<u>\$ 62,246,533</u>	<u>\$ 59,860,948</u>	<u>\$ 13,971,325</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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. As of June 30, 2015, \$24,571,850 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	\$ 21,958,279
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>2,613,571</u>
Total amount subject to custodial credit risk	<u>\$ 24,571,850</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 - At June 30, 2015, 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
Fixed income mutual funds	\$ 9,238,675	\$ -	\$ 197,416	\$ 2,133,581	\$ 5,535,209	\$ 1,372,469
Equity mutual funds	19,634,156	19,634,156	-	-	-	-
Money market mutual funds	80,061	-	80,061	-	-	-
Money markets/CDs	14,508,078	-	11,400,416	3,107,662	-	-
Pooled fixed income	469,263	-	469,263	-	-	-
U.S. government agency securities	195,686	-	-	-	74,633	121,053
Equities	541,693	541,693	-	-	-	-
Corporate bonds	591,046	-	50,912	234,648	305,486	-
Municipal bonds	<u>56,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,298</u>	<u>-</u>
	<u>\$ 45,314,956</u>	<u>\$ 20,175,849</u>	<u>\$ 12,198,068</u>	<u>\$ 5,475,891</u>	<u>\$ 5,971,626</u>	<u>\$ 1,493,522</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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 of political subdivision.

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

Average Ratings	Pooled Fixed Income	Corporate Bonds	Municipal Bonds	U.S. Government Agency Securities	Money Market Mutual Funds	Fixed Income Mutual Funds
AAA	\$ 469,263	\$ 27,389	\$ -	\$ 195,686	\$ -	\$ -
AA	-	77,555	56,298	-	-	-
A	-	458,972	-	-	-	-
BBB	-	27,130	-	-	-	-
Unrated	-	-	-	-	80,061	9,238,675
Total	<u>\$ 469,263</u>	<u>\$ 591,046</u>	<u>\$ 56,298</u>	<u>\$ 195,686</u>	<u>\$ 80,061</u>	<u>\$ 9,238,675</u>

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.

	Total	Less Insured Amounts	Amount Subject to Custodial Credit Risk
U.S. government agency securities	\$ 195,686	\$ -	\$ 195,686
Equities	541,693	300,000	241,693
Municipal bonds	56,298	-	56,298
Corporate bonds	<u>591,046</u>	<u>200,000</u>	<u>391,046</u>
	<u>\$ 1,384,723</u>	<u>\$ 500,000</u>	<u>\$ 884,723</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**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 as of June 30, 2015, including the applicable allowances for uncollectible accounts, are presented below.

	<u>Property Taxes</u>					
	<u>Taxes</u>	<u>Interest & Lien Fees</u>	<u>Total</u>			
Current portion	\$ <u>601,012</u>	\$ <u>161,614</u>	\$ <u>762,626</u>			
Long-term portion	\$ <u>123,099</u>	\$ <u>33,102</u>	\$ <u>156,201</u>			
Less allowance for uncollectibles	<u>(36,000)</u>	<u>(16,000)</u>	<u>(52,000)</u>			
Net long-term portion	\$ <u>87,099</u>	\$ <u>17,102</u>	\$ <u>104,201</u>			

	<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>801,776</u>	\$ <u>3,765</u>	\$ <u>805,541</u>	\$ <u>2,035</u>	\$ <u>807,576</u>
Long-term portion	\$ <u>158,440</u>	\$ <u>3,766</u>	\$ <u>162,206</u>	\$ <u>-</u>	\$ <u>162,206</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>137,440</u>	\$ <u>3,766</u>	\$ <u>141,206</u>	\$ <u>-</u>	\$ <u>141,206</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**C. Capital assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,028,391	\$ -	\$ -	\$ 11,028,391
Construction in progress	15,953,408	2,647,242	-	18,600,650
Total capital assets, not being depreciated	26,981,799	2,647,242	-	29,629,041
Capital assets, being depreciated:				
Land and building improvements	11,021,986	-	-	11,021,986
Buildings	66,497,368	-	-	66,497,368
Machinery and equipment	6,351,875	87,344	5,037	6,434,182
Infrastructure	88,928,641	859,781	-	89,788,422
Vehicles	3,339,890	448,269	308,406	3,479,753
Total capital assets being depreciated	176,139,760	1,395,394	313,443	177,221,711
Total capital assets	203,121,559	4,042,636	313,443	206,850,752
Less accumulated depreciation for:				
Land and building improvements	3,893,992	280,641	-	4,174,633
Buildings	30,272,466	1,279,622	-	31,552,088
Machinery and equipment	4,645,129	243,454	5,037	4,883,546
Infrastructure	30,603,476	1,802,587	-	32,406,063
Vehicles	2,404,078	211,342	295,810	2,319,610
Total accumulated depreciation	71,819,141	3,817,646	300,847	75,335,940
Total capital assets, being depreciated, net	104,320,619	(2,422,252)	12,596	101,885,771
Governmental activities capital assets, net	\$ 131,302,418	\$ 224,990	\$ 12,596	\$ 131,514,812

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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

General government	\$ 1,655,120
Public safety	158,732
Highway department	119,830
Sanitation and waste removal	600,233
Health and welfare	8,828
Education	<u>1,274,903</u>
Total depreciation expense	<u>\$ 3,817,646</u>

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

A summary of interfund balances as of June 30, 2015 is as follows:

	Corresponding Fund	Due From	Due To
<u>Major funds</u>			
General fund:			
Town aid road fund	N/A	\$ -	\$ 402,294
Dog license fund	N/A	-	9,491
Youth service activity fund	N/A	-	185
Recreation commission fund	N/A	3,834	-
Human services grant	N/A	-	39,948
Mystic harbor management	N/A	-	9,077
Stonington harbor management	N/A	-	22,531
Miscellaneous	N/A	11,000	231,682
State assets forfeiture program	N/A	-	302
Federal assets forfeiture program	N/A	200	-
Planning and development grant fund	N/A	-	95,142
Prepaid education grants fund	N/A	82,572	-
Bonded capital projects	N/A	850,615	3,180,493
Capital nonrecurring	N/A	13,752	-
Sewer usage fund	N/A	179,514	-
Internal service fund	N/A	-	1,489,942
Police OPEB trust fund	N/A	-	<u>25,000</u>
Total general fund	N/A	<u>1,141,487</u>	<u>5,506,087</u>
Bonded capital projects fund:			
General fund	N/A	3,180,493	850,615
Planning and development grant fund	N/A	-	<u>140</u>
Total bonded capital projects fund	N/A	<u>3,180,493</u>	<u>850,755</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

	Corresponding <u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>Nonmajor funds</u>			
Special revenue funds:			
Town aid road fund	General fund	\$ 402,294	\$ -
Dog license fund	General fund	9,491	-
Youth service activity fund	General fund	185	-
Recreation commission fund	General fund	-	3,834
Human services grant	General fund	39,948	-
Miscellaneous	General fund	231,682	11,000
State assets forfeiture program	General fund	302	-
Federal assets forfeiture program	General fund	-	200
Planning and development grant fund	General fund	95,142	-
Prepaid education grants fund	General fund	-	82,572
Prepaid education grants fund	Prepaid education grants fund	432	432
Sewer usage fund	General fund	-	179,514
Youth service activity fund	Recreation commission fund	31,074	-
Youth service activity fund	Human services grant	6,171	-
Recreation commission fund	Youth service activity fund	-	31,074
Human services grant	Youth service activity fund	-	6,171
Planning and development grant fund	Bonded capital projects	<u>140</u>	<u>-</u>
Total special revenue funds		816,861	314,797
Capital projects funds:			
Capital nonrecurring	General fund	<u>-</u>	<u>13,752</u>
Total nonmajor funds		<u>816,861</u>	<u>328,549</u>
Internal service fund:			
Internal service fund	General fund	<u>1,489,942</u>	<u>-</u>
Fiduciary funds:			
Police OPEB trust fund	General fund	25,000	-
Stonington harbor management	General fund	22,531	-
Mystic harbor management	General fund	<u>9,077</u>	<u>-</u>
Total fiduciary funds		<u>56,608</u>	<u>-</u>
Grand total		<u>\$ 6,685,391</u>	<u>\$ 6,685,391</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
June 30, 2015**2. Interfund transfers**

A summary of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Major funds</u>	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:			
Sewer usage fund	N/A	\$ -	\$ 300,000
Miscellaneous fund	N/A	-	83,688
Sewer assessment fund	N/A	45,000	-
Capital nonrecurring	N/A	-	1,281,434
Total general fund		<u>45,000</u>	<u>1,665,122</u>
<u>Nonmajor funds</u>			
Special revenue funds:			
Sewer usage fund	General fund	300,000	-
Sewer assessment fund	General fund	-	45,000
Miscellaneous fund	General fund	<u>83,688</u>	<u>-</u>
Total special revenue funds		<u>383,688</u>	<u>45,000</u>
Capital nonrecurring fund::			
Capital nonrecurring	N/A	50,000	50,000
General fund	N/A	<u>1,281,434</u>	<u>-</u>
Total capital nonrecurring fund		<u>1,331,434</u>	<u>50,000</u>
Total nonmajor funds		<u>1,715,122</u>	<u>95,000</u>
Grand total		<u>\$ 1,760,122</u>	<u>\$ 1,760,122</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
June 30, 2015

E. Changes in long-term obligations

1. Summary of changes

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Current Portion
General purpose:									
Refunding bond	\$ 4,525,000	02/15/09	05/15/20	2.0%-5.0%	\$ 2,380,600	\$ -	\$ 415,000	\$ 1,965,600	\$ 407,500
Refunding bond	1,192,000	02/23/12	09/01/24	2.25%-4.0%	1,192,000	-	111,000	1,081,000	110,000
Improvement bond	4,285,000	08/14/13	08/15/33	2.5%-4.25%	4,285,000	-	215,000	4,070,000	215,000
Road Improvement bond -	1,915,000	07/31/14	08/15/34	2.0%-4.0%	1,585,000	330,000	-	1,915,000	97,000
Total general purpose					9,442,600	330,000	741,000	9,031,600	829,500
School:									
Improvement bond	10,000,000	10/01/05	10/01/25	3.25%-5.0%	500,000	-	500,000	-	-
Improvement bond	3,275,000	07/01/07	09/01/26	4.125%-5.5%	350,000	-	175,000	175,000	175,000
Refunding bond	3,000,000	02/15/09	05/15/20	2.0%-5.0%	1,429,400	-	305,000	1,124,400	292,500
Refunding bond	16,128,000	02/23/12	09/01/26	2.0%-4.0%	15,833,000	-	884,000	14,949,000	1,355,000
Total school					18,112,400	-	1,864,000	16,248,400	1,822,500
Sewer:									
Improvement bond	12,000,000	04/05/12	04/01/32	4.125%-5.5%	10,800,000	-	600,000	10,200,000	600,000
Sewer Improvement bond	6,325,000	07/31/14	08/15/34	2.0%-4.0%	5,000,000	1,325,000	-	6,325,000	318,000
Total sewer					15,800,000	1,325,000	600,000	16,525,000	918,000
Clean water loans:									
Clean water loan	1,563,519	1998	2017	2%	225,463	-	75,154	150,309	75,154
Clean water loan	1,148,280	06/30/00	2016	2%	231,694	-	75,712	155,982	77,226
Total clean water loans					457,157	-	150,866	306,291	152,380
Total bond and notes					43,812,157	1,655,000	3,355,866	42,111,291	3,722,380
Premiums					2,214,077	140,902	169,315	2,185,664	-
Total bonds, notes and related liabilities					46,026,234	1,795,902	3,525,181	44,296,955	3,722,380
Landfill postclosure costs					275,000	-	25,000	250,000	25,000
Compensated absences					1,336,268	944,169	736,577	1,543,860	308,772
Heart and hypertension					436,350	110,849	48,385	498,814	-
Net OPEB liability					-	16,883	-	16,883	-
Net pension liability					3,201,769	4,790,588	3,759,321	4,233,036	-
Total general long-term obligations					\$ 51,275,621	\$ 7,658,391	\$ 8,094,464	\$ 50,839,548	\$ 4,056,152

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

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015Summary of Debt Service Requirements to Maturity

The annual requirements to amortize bonds payable and clean water loans at June 30, 2015 are as follows:

Fiscal Year End June 30,	Bonds			Clean Water		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 3,570,000	\$ 1,400,879	\$ 4,970,879	\$ 152,380	\$ 6,126	\$ 158,506
2017	3,560,000	1,283,094	4,843,094	153,911	3,093	157,004
2018	3,515,000	1,173,756	4,688,756	-	-	-
2019	3,345,000	1,045,531	4,390,531	-	-	-
2020	3,330,000	908,982	4,238,982	-	-	-
2021	2,825,000	772,881	3,597,881	-	-	-
2022	2,720,000	670,132	3,390,132	-	-	-
2023	2,720,000	573,630	3,293,630	-	-	-
2024	2,710,000	480,918	3,190,918	-	-	-
2025	2,465,000	402,947	2,867,947	-	-	-
2026	1,880,000	345,981	2,225,981	-	-	-
2027	1,395,000	297,913	1,692,913	-	-	-
2028	1,225,000	256,194	1,481,194	-	-	-
2029	1,225,000	216,063	1,441,063	-	-	-
2030	1,225,000	174,162	1,399,162	-	-	-
2031	1,225,000	132,262	1,357,262	-	-	-
2032	1,220,000	90,074	1,310,074	-	-	-
2033	620,000	47,212	667,212	-	-	-
2034	620,000	24,962	644,962	-	-	-
2035	410,000	6,919	416,919	-	-	-
TOTALS	<u>\$ 41,805,000</u>	<u>\$ 10,304,492</u>	<u>\$ 52,109,492</u>	<u>\$ 306,291</u>	<u>\$ 9,219</u>	<u>\$ 315,510</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**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	\$ 130,803,491	\$ 11,564,710	\$ 119,238,781
Schools	261,606,983	16,248,400	245,358,583
Sewers	218,005,819	16,525,000	201,480,819
Urban renewal	188,938,376		188,938,376
Pension deficit	174,404,655		174,404,655

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$406,944,195.

The indebtedness reflected above includes bonds outstanding.

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. As of June 30, 2015, the amount of defeased debt outstanding but removed from the Town's financial statements amounted to \$5,150,000.

4. 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 10 years at \$25,000 per year are \$250,000. These amounts are based on estimates which are subject to change due to inflation, technology or applicable laws and regulations.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**5. Authorized/unissued bonds**

At June 30, 2015, the amount of authorized, unissued bonds for improvements to the Town's school building renovations is \$69,000,000.

F. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$583,674 at June 30, 2015.

G. Fund balance classifications

As of June 30, 2015, fund balances are composed of the following:

Fund Balance Component	General Fund	Bonded Capital Projects	Nonmajor Funds	Total
<u>Restricted:</u>				
Public safety	\$ -	\$ -	\$ 5,125	\$ 5,125
Highway department	-	-	280,488	280,488
Sanitation and waste removal	-	-	181,673	181,673
Human services	-	-	10,133	10,133
Education	-	-	106,255	106,255
Total Restricted	-	-	583,674	583,674
<u>Committed:</u>				
General government	-	-	206,197	206,197
Sanitation and waste removal	-	-	769,076	769,076
Approved CNR Projects	-	1,993,726	1,765,567	3,759,293
Total Committed	-	1,993,726	2,740,840	4,734,566
<u>Assigned:</u>				
Subsequent years' budget	202,400	-	-	202,400
General government	46,609	-	95,282	141,891
Public safety	1,623	-	13,636	15,259
Highway department	8,355	-	-	8,355
Sanitation and waste removal	-	-	1,089,765	1,089,765
Human services	-	-	228,982	228,982
Recreation	-	-	172,417	172,417
Education	172,176	-	653,588	825,764
Total assigned	431,163	-	2,253,670	2,684,833
Unassigned	13,540,162	-	-	13,540,162
Total	\$ 13,971,325	\$ 1,993,726	\$ 5,578,184	\$ 21,543,235

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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>
2013-2014	\$ 429,000	\$ 6,226,384	\$6,180,384	\$ 475,000
2014-2015	475,000	5,958,549	5,938,549	495,000

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
June 30, 2015

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 2014-2015 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)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 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
June 30, 2015Participant data

At July 1, 2014, PERS membership consisted of:

Retirees and beneficiaries receiving benefits	129
Terminated plan members entitled to but not yet receiving benefits	52
Active plan members	<u>182</u>
Total Plan Participants	<u>363</u>
Number of participating employers	1

Plan 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 ten years of service with the Town for the non-contributory plan and are fully vested after fifteen 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.

Contributions required*Contributory plan:*

Participants are required to contribute 3% of their annual salary.

Non-contributory plan:

Participants are not required to contribute.

Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following contribution policy:

Actuarial cost method:	Entry Age Normal
Amortization method:	20 year period
Asset valuation method:	Fair Market Value of Assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% per year. The actuarial value is adjusted, if necessary, to be within the range of 80% to 120% of the Market Value of assets.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015Investments

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, as of June 30, 2015:

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%

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 as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the preceding table.

Rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.83 percent. 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.

Net pension liability

The Town's net pension liability at June 30, 2015 is \$3,344,562. The components of the net pension liability were as follows:

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

Total pension liability	\$ 32,834,916
Plan fiduciary net position	<u>29,490,354</u>
Net pension liability	<u>\$ 3,344,562</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.81%</u>
Covered-employee payroll	\$ 9,007,063
Net pension liability as a percentage of covered-employee payroll	<u>37.13%</u>

For the year ended June 30, 2015, the Town recognized pension expense of \$1,640,694. At June 30, 2015, 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 294,545
Changes in assumptions	-	147,704
Net difference between projected and actual earnings on pension plan investments	<u>1,566,638</u>	<u>-</u>
Total	<u>\$ 1,566,638</u>	<u>\$ 442,249</u>
Net amount of deferred inflows and outflows excluding Town contributions subsequent to measurement date	<u>\$ 1,124,389</u>	

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, 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:

<u>Year ending June 30,</u>	
2016	\$ 75,766
2017	265,303
2018	391,659
2019	<u>391,661</u>
Total	<u>\$1,124,389</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015Actuarial assumptions

Actuarial cost method - Entry age normal, as required by GASB Statement No. 67.

Actuarial valuation method - Fair market value

Valuation date - July 1, 2014

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

Discount rate - 6.75% per annum

Inflation - 3.0%

Salary projection - Graded schedule based on age of participant

<u>Age</u>	<u>Rate</u>
20	6.50%
25	6.50
30	5.85
35	5.20
40	4.55
45	3.90
52+	3.00

Retirement Age - Earlier of 62.6 or 35 years of credited service or valuation date plus 1 year.

Cost of living increase - None

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.

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)	\$7,085,918	\$3,344,562	\$161,018

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015Changes in the Net Pension Liability

The Town's net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liability for the year ended June 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 31,041,703	\$ 29,319,636	\$ 1,722,067
Service cost	784,165	-	784,165
Interest	2,337,106	-	2,337,106
Change in benefit terms	783,451	-	783,451
Differences between expected and actual experience	(504,935)	-	(504,935)
Changes of assumptions	(253,207)	-	(253,207)
Contributions - employer	-	1,103,588	(1,103,588)
Contributions - member	-	219,235	(219,235)
Net investment income	-	233,513	(233,513)
Benefit payments, including refunds of member contributions	(1,353,367)	(1,353,367)	-
Administrative expenses	-	(32,251)	32,251
Net change	1,793,213	170,718	1,622,495
Balance at June 30, 2015	\$ 32,834,916	\$ 29,490,354	\$ 3,344,562

3. Pension plans - 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
June 30, 2015**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. Deferred 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
June 30, 2015**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 expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the Town reported \$888,474 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportionate share of the net pension liability was based upon the Town's 2014 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2014, the Town's proportional share was 2.4649%. This being the first year of implementation, there was no change in the proportional share as compared to the prior year.

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.

For the year ended June 30, 2015, the Town recognized pension expense of \$488,640. At June 30, 2015, 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Changes in proportional share of employer	-	-
Net difference between projected and actual earnings on pension plan investments	-	421,876
Town contributions subsequent to measurement date	<u>494,982</u>	<u>-</u>
Total	<u>\$ 494,982</u>	<u>\$ 421,876</u>
Net amount of deferred inflows and outflows excluding Town contributions subsequent to measurement date		<u>\$ 421,876</u>

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

The \$494,982 amount reported as deferred outflows of resource related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. The other 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>	
2015	\$105,469
2016	105,469
2017	105,469
2018	<u>105,469</u>
Total	<u>\$421,876</u>

e. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Future cost-of-living 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%.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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
June 30, 2015**g. Sensitivity of the net pension liability to changes in the discount rate**

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

	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 liability	\$ 2,967,590	\$888,474	\$(836,786)

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, 2014. The audited amounts as presented in the State of Connecticut Comprehensive Annual Financial Report have been adjusted by the Auditors of Public Accounts to be in accordance with the requirements of GASB Statements No. 67 and 68. The adjustment to contribution receivable increased the net position as previously reported from \$2,175,433,000 to \$2,262,724,000. The net pension liability at June 30, 2014 has been calculated using the adjusted amounts.

i. Payable to the pension plan

The Town had \$7,540 of accounts payable to the Connecticut Municipal Employees Retirement System plan outstanding at June 30, 2015. The payable represents the Town's legally required contribution and related withheld employee contributions.

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
June 30, 2015

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
June 30, 2015

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>41,864,643</u>
Total	<u>\$ 41,864,643</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$3,141,045 for on-behalf amounts for the benefits provided by the State.

e. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015

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

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**f. Discount rate**

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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, 2014.

D. Other post-employment benefit plan**1. Plan description**

The Town administers one single-employer, post-retirement healthcare plan for the Town of Stonington Other Post Employment Benefit ("OPEB") plan. The plan provides medical and dental benefits for eligible retirees and their spouses. The plan does not issue stand-alone financial reports.

2. Benefit provisions and contributions**a. Benefit provisions**

The 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.

b. Employer contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town's total plan contribution was \$327,071.

c. Employee contributions

There are no employee contributions to the plan.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**3. Funded status and funding progress**

The funded status of the plan as of July 1, 2013 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ 679,426	\$5,200,625	\$ (4,521,199)	13.1%	\$ 28,398,610	(16.0%)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI"), immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

4. Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The data presented in the schedule of funding progress and schedule of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage
Remaining Amortization Period:	30 Years Closed
	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.5%
Healthcare inflation rate:	
Initial	6.8%
Ultimate	4.7%

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**5. Annual OPEB cost and net OPEB obligation (asset)**

The Town's annual other post employment benefit cost and net other post employment benefit obligation (asset) to the Town's Other Post Employment Benefit Plan for the current year were:

Annual required contribution	\$ 412,037
Interest on net OPEB obligation	(5,050)
Adjustment to annual required contribution	<u>4,299</u>
Annual OPEB cost	411,286
Contributions made	<u>327,071</u>
Change in net OPEB asset	84,215
Net OPEB asset - July 1, 2014	<u>(67,332)</u>
Net OPEB obligation - June 30, 2015	<u>\$ 16,883</u>

6. Three year trend information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2013	\$ 697,104	95.83%	\$ (103,011)
2014	729,679	95.11%	(67,332)
2015	411,286	79.52%	16,883

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 for the year ended June 30, 2015 were \$75,580 and \$50,580, respectively.

Town of Stonington, Connecticut

Notes to Financial Statements
June 30, 2015**F. Prior period adjustment**

The government-wide net position was restated as follows:

Net position as previously reported at June 30, 2014	\$ 114,954,889
To remove net pension asset	(683,231)
To record beginning deferred outflows related to pensions	494,982
To record beginning net pension liability (NPL) - PERS	(1,722,067)
To record beginning net pension liability (NPL) - MERS	<u>(1,479,702)</u>
Net position as restated as of July 1, 2014	<u>\$ 111,564,871</u>

**Required
Supplementary
Information**

Town of Stonington, Connecticut

Town of Stonington Employees' Pension Plan

Required Supplementary Information

Schedule of Changes in Net Pension Liability

Last Two Years

	2015	2014
Total pension liability:		
Service cost	\$ 784,165	\$ 761,325
Interest	2,337,106	2,210,832
Change of benefit terms	783,451	-
Differences between expected and actual experience	(504,935)	-
Change of assumptions	(253,207)	-
Benefit payments, including refunds of member contributions	(1,353,367)	(1,270,805)
Net change in total pension liability	1,793,213	1,701,352
Total pension liability - July 1	31,041,703	29,340,351
Total pension liability - June 30 (a)	32,834,916	31,041,703
Plan fiduciary net position:		
Contributions - employer	1,103,588	1,147,449
Contributions - member	219,235	257,396
Net investment income (loss)	233,513	3,765,012
Benefit payments, including refunds of member contributions	(1,353,367)	(1,270,805)
Administration expense	(32,251)	(47,133)
Net change in plan fiduciary net position	170,718	3,851,919
Plan fiduciary net position - July 1	29,319,636	25,467,717
Plan fiduciary net position - June 30 (b)	29,490,354	29,319,636
Net pension liability (asset) - June 30 (a)-(b)	\$ 3,344,562	\$ 1,722,067

Town of Stonington, Connecticut
Town of Stonington Employees' Pension Plan
Required Supplementary Information
Schedule of Net Pension Liability
Last Two Years

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 32,834,916	\$ 31,041,703
Plan fiduciary net position	<u>(29,490,354)</u>	<u>(29,319,636)</u>
Net pension liability	<u>\$ 3,344,562</u>	<u>\$ 1,722,067</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.81%</u>	<u>94.45%</u>
Covered-employee payroll	<u>\$ 9,007,063</u>	<u>\$ 9,124,324</u>
Net pension liability as a percentage of covered-employee payroll	<u>37.13%</u>	<u>18.87%</u>

Schedule of Investment Returns

	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net investment expense	<u>0.83%</u>	<u>15.07%</u>

Town of Stonington, Connecticut

Town of Stonington Employees' Pension Plan

Required Supplementary Information

Schedule of Contributions

Last 10 Fiscal Years

Actuarial Valuation Date July 1,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 1,083,331	\$ 1,103,588	\$ 20,257	\$ 9,007,063	12.3%
2013	1,108,457	1,101,118	(7,339)	9,124,324	12.1%
2012	1,119,643	1,130,478	10,835	8,958,441	12.6%
2011	1,171,692	1,342,122	170,430	9,071,534	14.8%
2010	1,163,837	1,471,967	308,130	9,342,487	15.8%
2009	937,874	1,010,472	72,598	8,843,202	11.4%
2008	869,139	944,785	75,646	8,332,324	11.3%
2007	828,833	890,080	61,247	7,899,350	11.3%
2006	657,952	665,953	8,001	7,598,714	8.8%
2005	453,663	464,400	10,737	7,002,000	6.6%

Town of Stonington, Connecticut

Town of Stonington Employees' Pension Plan

Notes to Required Supplementary Information
June 30, 2015

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 calendar 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 year period
Remaining Amortization period	20 years - open
Asset Valuation Method	Fair market value, adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Inflation	3.00%
Salary Increases	Graded Schedule based on age ranging from 3.0% to 6.50%
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Town of Stonington, Connecticut

Town of Stonington Other Post-Employment Benefit Plan

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date July 1,	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Projected Unit Credit	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
2008	\$ N/A	\$ N/A	\$ N/A	N/A	\$ N/A	N/A
2009	-	9,625,000	(9,625,000)	0.0%	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A	N/A
2011	473,000	9,657,000	(9,184,000)	4.9%	26,065,000	(35.2%)
2012	N/A	N/A	N/A	N/A	N/A	N/A
2013	679,426	5,200,625	(4,521,199)	13.1%	28,398,610	(15.9%)
2014	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not available

Schedule of Employer Contributions

Fiscal Year End June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2009	\$ 658,000	\$ 568,000	86.3%
2010	687,000	603,000	87.8%
2011	698,000	671,000	96.1%
2012	729,000	1,070,000	146.8%
2013	699,000	668,000	95.6%
2014	731,000	694,000	94.9%
2015	412,037	327,071	79.4%

Town of Stonington, Connecticut

Town of Stonington Other Post-Employment Benefit Plan

**Notes to Required Supplementary Information
June 30, 2015**

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
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Amortization Method	Level percentage
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Remaining Amortization Period	30 years closed
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Investment Rate of Return	7.50%
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Healthcare Inflation Rate	6.80% - 4.70%
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Dental Inflation Rate	3.00%
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Town of Stonington, Connecticut
State Teachers' Retirement System
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2015

	2015
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State of Connecticut's proportionate share of the net pension liability associated with Town	41,864,643
Total	\$ 41,864,643
Town's covered-employee payroll	(2) N/A
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%

Schedule of Contributions

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

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

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

Town of Stonington, Connecticut

State Teachers' Retirement System

Notes to Required Supplementary Information
June 30, 2015

Changes of benefit terms	None
Changes of assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted more closely to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	22.4 years
Asset Valuation Method	4 year smoothed market
Inflation	3.00%
Salary Increases	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.50%, net of pension plan investment expense, including inflation

Town of Stonington, Connecticut
Connecticut Municipal Employees Retirement System
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2015

	2015
Town's proportion of the net pension liability	2.4649%
Town's proportionate share of the net pension liability	\$ 888,474
Town's covered-employee payroll	\$ 3,215,266
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.63%
Plan fiduciary net position as a percentage of the total pension liability	90.48%

Schedule of Contributions

	2015
Contractually required contribution	\$ 457,302
Contributions in relation to the contractually required contribution	457,302
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll	\$ 3,215,266
Contributions as a percentage of covered-employee payroll	14.22%

Town of Stonington, Connecticut

Connecticut Municipal Employees Retirement System

Notes to Required Supplementary Information

June 30, 2015

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

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Appendix B

Form of Legal Opinion

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November 1, 2016

Town of Stonington
152 Elm Street
Stonington, Connecticut 06378

RE: Town of Stonington, Connecticut \$17,220,000 General Obligation
Bonds, Issue of 2016, dated November 1, 2016 (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 November 1, 2016 (the "Arbitrage and Use of Proceeds Certificate") and other proofs submitted to us relative to the issuance and sale of Town of Stonington, Connecticut \$17,220,000 General Obligation Bonds, Issue of 2016 maturing on November 1 in each of the following years in the principal amounts and bearing interest payable semiannually on May 1 and November 1 in each year, commencing November 1, 2017 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>
2017	\$865,000	2.000%	862029WE1	2027	\$860,000	3.000%	862029WQ4
2018	865,000	2.000%	862029WF8	2028	860,000	3.000%	862029WR2
2019	865,000	4.000%	862029WG6	2029	860,000	3.000%	862029WS0
2020	865,000	4.000%	862029WH4	2030	860,000	3.000%	862029WT8
2021	860,000	4.000%	862029WJ0	2031	860,000	3.000%	862029WU5
2022	860,000	4.000%	862029WK7	2032	860,000	3.000%	862029WV3
2023	860,000	2.000%	862029WL5	2033	860,000	3.000%	862029WW1
2024	860,000	5.000%	862029WM3	2034	860,000	3.000%	862029WX9
2025	860,000	3.000%	862029WN1	2035	860,000	3.000%	862029WY7
2026	860,000	3.000%	862029WP6	2036	860,000	3.000%	862029WZ4

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. 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,

Town of Stonington

November 1, 2016

Page 3 of 3

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 C

Form of Continuing Disclosure Agreement

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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

\$17,220,000 General Obligation Bonds, Issue of 2016

Dated: November 1, 2016

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of November 1, 2016 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, \$17,220,000 General Obligation Bonds, Issue of 2016 dated as of November 1, 2016 (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 \$17,220,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2016, dated as of November 1, 2016 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement dated October 19, 2016 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 19, 2016, 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, 2016) 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 D

Notice of Sale

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NOTICE OF SALE

**TOWN OF STONINGTON, CONNECTICUT
\$17,220,000
GENERAL OBLIGATION BONDS ISSUE OF 2016**

(BOOK-ENTRY ONLY)

Electronic bids (as described herein) will be received by the TOWN OF STONINGTON, CONNECTICUT (the "Town") at the Stonington Police Department, 173 South Broad Street, Pawcatuck, CT 06379, until **11:30 A.M. (E.S.T.) on**

Wednesday, October 19, 2016

for the purchase of all, but not less than all, of the Town of Stonington, Connecticut, \$17,220,000 General Obligation Bonds, Issue of 2016 (the "Bonds"). Bids must be submitted via *PARITY*® in the manner specified below. (See "Bidding Procedures").

The Bonds

The Bonds will be dated November 1, 2016 and will be payable to the registered owner on November 1 in the year of their respective maturity, as further described in the Preliminary Official Statement for the Bonds dated October 11, 2016 (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 November 1, 2017 and semiannually thereafter on May 1 and November 1 in each year until maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/1000 of 1% per annum.

The Bonds will mature on November 1 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>
2017	\$865,000	___.__%	2027	\$860,000	___.__%
2018	865,000	___.__%	2028	860,000	___.__%
2019	865,000	___.__%	2029	860,000	___.__%
2020	865,000	___.__%	2030	860,000	___.__%
2021	860,000	___.__%	2031	860,000	___.__%
2022	860,000	___.__%	2032	860,000	___.__%
2023	860,000	___.__%	2033	860,000	___.__%
2024	860,000	___.__%	2034	860,000	___.__%
2025	860,000	___.__%	2035	860,000	___.__%
2026	860,000	___.__%	2036	860,000	___.__%

The Bonds maturing on or before November 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on November 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after November 1, 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
November 1, 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 \$17,220,000 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 2%. 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 trust 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 November 1, 2016, 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 4:30 P.M. (E.D.T.) on October 19, 2016. 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 irremovable 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, (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.

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 shall be the responsibility of the winning bidder to certify to the Town before delivery of the Bonds the prices at which a substantial amount of the Bonds were initially offered and sold to the public.

It is anticipated that the Bonds will be delivered to DTC in New York City on or about November 1, 2016. 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, 2016