

OFFICIAL STATEMENT DATED AUGUST 15, 2012

Refunding Issue/New Issue

Ratings: Standard & Poor's ..... AA  
Fitch Ratings ..... AA+

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income of the owners thereof 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 adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax on such 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 subject to and required to pay the federal alternative minimum tax. See Appendices B and C - "Opinion of Bond Counsel and Tax Exemption" herein.



TOWN OF TOLLAND, CONNECTICUT  
\$9,485,000 GENERAL OBLIGATION BONDS, ISSUE OF 2012  
BOOK-ENTRY-ONLY

Consisting of:

\$1,460,000 GENERAL OBLIGATION BONDS ISSUE OF 2012, SERIES A (the "Series A Bonds")  
\$8,025,000 GENERAL OBLIGATION REFUNDING BONDS ISSUE OF 2012, SERIES B (the "Series B Bonds")

(collectively, the "Bonds")

Dated: Date of Delivery

Due: As Shown on Inside Cover

Interest on the Bonds will be payable semiannually on the first day of March and September of each year, commencing March 1, 2013. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any multiple thereof. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are subject to redemption prior to maturity as more fully described herein. See "Redemption Provisions" herein.

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

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

The Bonds are offered for delivery when, as and if issued, and received by the Underwriter, subject to the final approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford, Middletown and New Haven, Connecticut. Certain legal matters will be passed upon for the Underwriter by Shipman & Goodwin LLP, of Hartford, Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about August 29, 2012 through the facilities of DTC.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

ROOSEVELT & CROSS  
INCORPORATED



**TOWN OF TOLLAND, CONNECTICUT**  
**\$9,485,000 GENERAL OBLIGATION BONDS, ISSUE OF 2012**  
**BOOK-ENTRY ONLY**

**\$1,460,000 GENERAL OBLIGATION BONDS, ISSUE OF 2012, SERIES A**

**Dated:** Date of Delivery

**Due:** Serially, September 1, 2013–2019 and Term Bonds due September 1, 2023 and September 1, 2027

**\$700,000 Serial Bonds**

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2013	\$100,000	2.000%	0.500%	889481QU4	2017	\$100,000	2.000%	1.000%	889481QY6
2014	100,000	2.000	0.600	889481QV2	2018	100,000	1.500	1.280	889481QZ3
2015	100,000	2.000	0.700	889481QW0	2019	100,000	2.000	1.550	889481RA7
2016	100,000	2.000	0.800	889481QX8					

**\$380,000 3.000% Term Bond due September 1, 2023 – Yield 2.050%<sup>1</sup>, CUSIP 889481RB5**

**\$380,000 3.000% Term Bond due September 1, 2027 – Yield 2.400%<sup>1</sup>, CUSIP 889481RC3**

**\$8,025,000 GENERAL OBLIGATION REFUNDING BONDS, ISSUE OF 2012, SERIES B**

**Dated:** Date of Delivery

**Due:** Serially, September 1, 2014–2025

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2014	\$445,000	4.000%	0.550%	889481RD1	2020	\$ 480,000	4.000%	1.750%	889481RK5
2015	340,000	3.000	0.650	889481RE9	2021	1,065,000	5.000	1.850	889481RL3
2016	490,000	3.000	0.750	889481RF6	2022	1,060,000	5.000	2.000	889481RM1
2017	485,000	3.000	0.950	889481RG4	2023	1,070,000	4.000	2.050 <sup>1</sup>	889481RN9
2018	485,000	4.000	1.230	889481RH2	2024	1,055,000	3.000	2.150 <sup>1</sup>	889481RP4
2019	485,000	3.000	1.500	889481RJ8	2025	565,000	3.000	2.250 <sup>1</sup>	889481RQ2

<sup>1</sup>Priced assuming redemption on September 1, 2022; however, any such redemption is at the optional election of the Town.

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## ISSUE SUMMARY

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

<b>Issuer:</b>	Town of Tolland, Connecticut
<b>Issue:</b>	\$9,485,000 General Obligation Bonds, book-entry only, consisting of \$1,460,000 General Obligation Bonds, Issue of 2012, Series A (the "Series A Bonds"), and \$8,025,000 General Obligation Refunding Bonds, Issue of 2012, Series B (the "Series B Bonds," and together with the Series A Bonds, the "Bonds")
<b>Underwriter:</b>	Roosevelt & Cross, Inc.
<b>Dated Date:</b>	Date of delivery
<b>Interest Date:</b>	Each March 1 and September 1, commencing March 1, 2013
<b>Principal Due:</b>	Series A Bonds - Serially, September 1, 2013 through September 1, 2027 and term bonds due September 1, 2023 and September 1, 2027, as detailed in this Official Statement Series B Bonds - Serially, September 1, 2014 through September 1, 2025, as detailed in this Official Statement
<b>Purpose:</b>	The Series A Bonds are being issued to finance numerous capital projects. The Series B Bonds are being issued to refund all or a portion of outstanding bonds of the Town dated December 1, 2004 and September 1, 2005. See "Authorization and Purpose" herein.
<b>Redemption:</b>	The Bonds are subject to redemption prior to maturity as more fully described herein under "Redemption Provisions."
<b>Security:</b>	The Bonds will be general obligations of the Town of Tolland, Connecticut, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
<b>Bank Qualification:</b>	The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
<b>Credit Rating:</b>	See "Ratings" herein.
<b>Credit Enhancement:</b>	The Town does not expect to direct purchase a credit enhancement facility.
<b>Tax Exemption:</b>	See Appendices B and C - "Opinion of Bond Counsel and Tax Exemption" herein.
<b>Certifying Agent, Registrar, Transfer Agent, Paying Agent and Escrow Agent:</b>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103

**Legal Opinion:** Updike, Kelly & Spellacy, P.C., of Hartford, Middletown and New Haven, Connecticut will act as Bond Counsel.

**Delivery:** It is expected that delivery of the Bonds in book-entry-only form through the facilities of DTC will be made on or about August 29, 2012.

**Final Official Statement:** This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1).

**Availability of Continuing Information:** See Appendix D - “Continuing Disclosure Agreement” herein.

For additional copies of the Official Statement or requests for additional information, please contact Chris Martin, Senior Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, telephone (860) 692-1324.

## INTRODUCTION

The purpose of this Official Statement is to provide certain financial information and economic and demographic data relevant to the Town of Tolland, Connecticut (the "Town") in connection with the sale of \$9,485,000 General Obligation Bonds, Issue of 2012, book-entry only, comprising \$1,460,000 General Obligation Bonds, Issue of 2012, Series A (the "Series A Bonds"), and \$8,025,000 General Obligation Refunding Bonds, Issue of 2012, Series B (the "Series B Bonds," together with the Series A Bonds, the "Bonds") of the Town.

The 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. 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 in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, broker, salesman, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of these Bonds, and, if given or made, such information or representation must not be relied upon. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations and summaries and explanations of provisions of law herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

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 in this Official Statement has been prepared by the Town's financial advisor, Webster Bank, National Association (the "Financial Advisor"), from information supplied by the Town's officials and other sources as indicated. The Financial Advisor does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. An agreement between the Town and the Financial Advisor has been entered into to conform to Municipal Securities Rulemaking Board ("MSRB") Rule G-23. U.S. Bank National Association, of Hartford, Connecticut will act as Certifying Agent, Registrar, Transfer Agent and Paying Agent for the Series A Bonds and act as Certifying Agent, Registrar, Transfer Agent and Escrow Agent for the Series B Bonds.

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

Bond Counsel 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 in Appendices B and C herein), and they make no representation that they have independently verified the same.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**SECTION I - SECURITIES OFFERED**

**Description of the Bonds**

The Series A Bonds will be dated the date of delivery and will mature on September 1 of the years and in the principal amounts as follows:

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Due September 1</u>	<u>Principal Amount</u>
2013 .....	\$100,000	2018 .....	\$100,000
2014 .....	100,000	2019 .....	100,000
2015 .....	100,000	2023 <sup>1</sup> .....	380,000
2016 .....	100,000	2027 <sup>1</sup> .....	380,000
2017 .....	100,000		

<sup>1</sup> Term bonds. See "Redemption Provisions - Mandatory Redemption" herein.

The Series B Bonds will be dated the date of delivery and will mature on September 1 of the years and in the principal amounts as follows:

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Due September 1</u>	<u>Principal Amount</u>
2014 .....	\$ 445,000	2020 .....	\$ 480,000
2015 .....	340,000	2021 .....	1,065,000
2016 .....	490,000	2022 .....	1,060,000
2017 .....	485,000	2023 .....	1,070,000
2018 .....	485,000	2024 .....	1,055,000
2019 .....	485,000	2025 .....	565,000

Interest on the Bonds will be payable semiannually on the first day of March and September of each year, commencing March 1, 2013. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of February and August in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association, Hartford, Connecticut, as Paying Agent.

The Bonds are subject to redemption prior to maturity as described in "Redemption Provisions" herein.

**Authorization and Purpose**

**Refunding Bonds:** Pursuant to a bonding authorization adopted by the Town Council at its regularly scheduled meeting of March 27, 2012 pursuant to Section 7-370c of the Connecticut General Statutes, the Town authorized the issuance of bonds in an amount up to \$17,000,000 for the purpose of refunding the aggregate principal amount outstanding of Town of Tolland Bonds dated December 1, 2004 and September 1, 2005 (the "Refunded Bonds") (see "The Refunding Plan" herein).

**Various Capital Projects, 2010-11:** Bonds are being issued pursuant to three (3) separate appropriations and bonding authorizations in the aggregate amount of \$1,476,141 adopted by the Town Council on July 13, 2010 and June 28, 2011, for the purpose of financing (i) the cost of pavement resurfacing, sealing and repair of certain roads and parking lots (\$921,487 appropriation and bond authorization), (ii) the replacement of floor tiles at Tolland Middle School and HVAC improvements to Tolland Intermediate School (\$502,654 appropriation and bond authorization), and (iii) the installation of fiber-optic cabling at Birch Grove Primary School and Tolland Intermediate School (\$52,000 appropriation and bond authorization).

**Various Capital Projects, 2011-12:** Bonds are being issued pursuant to seven (7) separate appropriations and bonding authorizations in the aggregate amount of \$1,542,944 adopted by the Town Council on July 26, 2011 for the purpose of financing the cost of pavement resurfacing, sealing and repair of certain roads and

parking lots (\$566,991 appropriation and bond authorization), certain drainage improvements (\$60,000 appropriation and bond authorization), roof replacement at the Tolland Public Library (\$396,215 appropriation and bond authorization), the installation of an engine drive generator at the Hicks Memorial Municipal Center and Library (\$80,000 appropriation and bond authorization), the acquisition of a dump truck (\$145,000 appropriation and bond authorization), certain improvements to Tolland Intermediate School (\$216,738 appropriation and bond authorization), and certain driveway pavement improvements (\$78,000 appropriation and bond authorization).

**Various Capital Projects, 2012-13:** Bonds are being issued pursuant to six (6) separate appropriations and bonding authorizations in the aggregate amount of \$1,533,807 adopted by the Town Council on July 10, 2012, for the purpose of financing the cost of road pavement improvements (\$780,000 appropriation and bond authorization), pavement resurfacing at the Fire Station 140 parking lot (\$100,000 appropriation and bond authorization), certain drainage improvements (\$208,807 appropriation and bond authorization), the cost of preparing a facilities study (\$30,000 appropriation and bond authorization), the installation of lights for the Tolland High School stadium field (\$300,000 appropriation and bond authorization), and pavement resurfacing of the Tolland Middle School track (\$115,000 appropriation and bond authorization).

**Birch Grove Primary School Expansion:** Bonds are being issued pursuant to an appropriation and bonding authorization totaling \$6,799,865 adopted at referendum on February 27, 2001 to fund the design and construction of a school expansion project at Birch Grove Primary School.

**Use of Proceeds**

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>Notes Maturing</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>
Refunding bonds <sup>1</sup> .....	\$17,000,000	N/A	N/A	\$ -	\$8,025,000
Various capital projects, 2010-11 .....	1,476,141	\$ 972,056	\$-	70,423	-
Various capital projects, 2011-12 .....	1,542,944	969,944	-	36,262	-
Various capital projects, 2012-13 .....	1,533,807	-	-	1,153,600	-
Birch Grove Primary School expansion .....	6,799,865	<u>2,315,000</u>	<u>-</u>	<u>199,715</u>	<u>-</u>
Total .....		<u>\$4,257,000</u>	<u>\$-</u>	<u>\$1,460,000</u>	<u>\$8,025,000</u>

<sup>1</sup> See "The Refunding Plan" herein.

**Sources and Uses of Bond Proceeds**

Proceeds of the Bonds are to be applied as follows:

	<u>Series A Bonds</u>	<u>Series B Bonds</u>
<b>Sources:</b>		
Principal amount of the Bonds .....	\$1,460,000.00	\$8,025,000.00
Net original issue premium .....	<u>74,656.60</u>	<u>1,222,465.45</u>
Total sources .....	\$1,534,656.60	\$9,247,465.45
<b>Uses:</b>		
Refunding bond escrow deposit fund ..	\$ -	\$9,122,073.75
Deposit to project fund .....	1,460,000.00	-
Costs of issuance .....	15,538.96	88,711.04
Underwriter's discount .....	7,008.00	35,149.50
Additional proceeds .....	<u>52,109.64</u>	<u>1,531.16</u>
Total uses .....	\$1,534,656.60	\$9,247,465.45

## The Refunding Plan

A portion of the proceeds of the Series B Bonds is being used to refund the Town's outstanding general obligation bonds as set forth below (the "Refunded Bonds"). The refunding is contingent upon delivery of the Series B Bonds.

<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP Number</u>	
12/01/04:	12/01/14	3.500%	\$ 570,000	N/A	N/A	889481KT3	
	12/01/15	3.600	485,000	12/01/14	100.00%	889481KU0	
	12/01/16	3.700	485,000	12/01/14	100.00	889481KV8	
	12/01/17	3.750	485,000	12/01/14	100.00	889481KW6	
	12/01/18	3.875	485,000	12/01/14	100.00	889481KX4	
	12/01/19	4.000	485,000	12/01/14	100.00	889481KY2	
	12/01/20	4.000	485,000	12/01/14	100.00	889481KZ9	
	12/01/21	4.100	485,000	12/01/14	100.00	889481LA3	
	12/01/22	4.100	485,000	12/01/14	100.00	889481LB1	
	12/01/23	4.250	485,000	12/01/14	100.00	889481LC9	
	12/01/24	4.250	<u>485,000</u>	12/01/14	100.00	889481LD7	
				\$5,420,000			
	09/01/05:	09/01/21	4.500%	\$ 580,000	09/01/16	100.00%	889481LV7
09/01/22		4.500	575,000	09/01/16	100.00	889481LW5	
09/01/23		4.500	575,000	09/01/16	100.00	889481LX3	
09/01/24		4.250	575,000	09/01/16	100.00	889481LY1	
09/01/25		4.250	<u>575,000</u>	09/01/16	100.00	889481LZ8	
			\$2,880,000				

Upon delivery of the Series B Bonds, a portion of the proceeds of the Series B Bonds will be placed in an irrevocable escrow fund (the "Escrow Deposit Fund") established with U.S. Bank National Association as escrow agent (the "Escrow Agent") under an Escrow Agreement dated as of August 29, 2012 between the Escrow Agent and the Town (the "Escrow Agreement"). The Escrow Agent will hold such proceeds in the form of cash and/or use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the United States of America, which may include, without limitation, United States Treasury State and Local Government Series ("SLGS") securities (the "Escrow Securities"). The Escrow Securities will have maturities and interest rates sufficient to meet the principal and interest and redemption payments on the Refunded Bonds on the dates such payments are due. The Town will pay all costs of issuance of the Series B Bonds, including Underwriter's discount, from proceeds of the Series B Bonds or other funds of the Town. The Escrow Agreement requires that the Escrow Agent call for the redemption of the Refunded Bonds. All investment income on and maturing principal of the Escrow Securities held in the Escrow Deposit Fund and needed to pay the principal, interest and redemption premium on the Refunded Bonds will be irrevocably deposited by the Town for payment of the Refunded Bonds.

The Connecticut General Statutes provide that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal of and interest on the bonds to be refunded by such refunding bonds, such bonds are no longer counted in computing the Town's debt for statutory debt limitation purposes.

### Redemption Provisions

#### Optional Redemption

The Bonds maturing on or before September 1, 2022 are not subject to redemption prior to maturity. The Bonds maturing on September 1, 2023 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after September 1, 2022, either in whole or in part, at any time, in such order of maturity and in such amounts as the Town may determine, and by lot within a maturity, at the redemption

price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
September 1, 2022 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 at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a 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 portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interests to be reduced by such redemption in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

**Mandatory Redemption**

The Series A Bonds maturing on September 1, 2023 are subject to mandatory redemption prior to maturity on September 1 in each of the years 2020–2023, both inclusive, at the price of par plus accrued interest to the date fixed for redemption from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of such bonds shown below:

<u>Year</u>	<u>Sinking Fund Installment</u>
2020 .....	\$95,000
2021 .....	95,000
2022 .....	95,000
2023† .....	95,000

† Final maturity.

The Series A Bonds maturing on September 1, 2027 are subject to mandatory redemption prior to maturity on September 1 in each of the years 2024–2027, both inclusive, at the price of par plus accrued interest to the date fixed for redemption from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on September 1 of each year the principal amount of such bonds shown below:

<u>Year</u>	<u>Sinking Fund Installment</u>
2024.....	\$95,000
2025 .....	95,000
2026 .....	95,000
2027 <sup>†</sup> .....	95,000

† Final maturity.

### **Verification of Mathematical Computations**

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Escrow Securities together with the interest income thereon and uninvested cash, if any, to pay when due, the principal of and interest on the Refunded Bonds and (ii) the yield on the Bonds and on the Escrow Securities for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by AMTEC. Such verification shall be based upon information and assumptions supplied by the Underwriter and the Town, and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinions described herein.

### **Ratings**

On August 6, 2012, Standard & Poor’s assigned a rating of AA to the Bonds and affirmed the AA rating on the Town’s parity debt outstanding. On August 6, 2012, Fitch Ratings assigned a rating of AA+ to the Bonds and affirmed the AA+ rating on the Town’s parity debt outstanding. Such ratings reflect only the view of each rating agency, and any explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that the ratings will continue for any given period of time or that the ratings will not be lowered or withdrawn entirely by either rating agency. Any such downward change or withdrawal of a rating may have an adverse effect on the marketability or market price of the Town’s outstanding debt obligations, including the Bonds.

### **Credit Enhancement**

The Town does not expect to direct purchase credit enhancement to provide for the payment of the principal of or interest on the Bonds.

### **Security and Remedies**

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

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. There were, however, no acres of such certified forest land on the last completed grand list of the Town. 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 of qualified elderly persons.

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

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

The Town is subject to suit on its general obligation bonds and notes, 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 bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

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

### **Qualification for Financial Institutions**

The Bonds **will** 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.

### **Book-Entry-Only 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 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 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, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond 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 will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither the Town, the Paying Agent nor the underwriter(s) will have any responsibility or obligation to the Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Participant of DTC of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other actions taken by DTC or its partnership nominees as owner of the Bonds.

### **Underwriting**

The Bonds are being purchased by Roosevelt & Cross, Incorporated (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the Town at the net aggregate purchase price of \$1,527,648.60 (consisting of the par amount of \$1,460,000, plus net original issue premium of \$74,656.60, less underwriter's discount of \$7,008.00) and to purchase the Series B Bonds from the Town at the net aggregate purchase price of \$9,212,315.95 (consisting of the par amount of \$8,025,000, plus net original issue premium of \$1,222,465.45, less underwriter's discount of \$35,149.50). The net aggregate purchase price of the Bonds is \$10,739,964.55. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

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## SECTION II - THE ISSUER

### Description of the Town of Tolland

CNN-Money Magazine began taking its biennial national poll of Best Small Towns in 2005. For communities in the 8,500-50,000 population range, Tolland has consistently ranked in the top 40 (ranking as high as 27 in 2009). There are currently 3,570 communities in this category. The ranking is based upon a strong local economy, great schools, affordable homes, low crime, and several ease-of-living criteria.

Tolland has also been consistently the highest ranked Connecticut town. In its write-up on Tolland, CNN-Money Magazine states that “residents of Tolland live in a mix of modernity and historic charm.”

Tolland is located 20 miles northeast of Hartford and approximately 90 miles southwest of Boston, Massachusetts. Interstate Route 84, a major east-west transportation corridor, bisects the Town. Bradley International Airport - approximately 25 minutes’ driving time away - provides convenient air connections to the rest of the country and the world. A majority of the Town’s labor force is employed in the central Connecticut area, primarily in the financial services, industrial, governmental and higher education sectors. Significant to the Town in several ways, the main campus of the University of Connecticut is within 10 miles of virtually any point within the Town.

Tolland’s legacy includes a New England town green of substantial proportions as its signature amenity. Tolland Green is the heart of the community, and the area around it is preserved as a National Historic District. Included in the district are several of the Town’s historic attractions, such as the former Tolland County Court House, the Old Jail Museum and the Hicks-Stearns Family Museum, plus a number of gracious 18<sup>th</sup> and 19<sup>th</sup> century homes. Municipal offices and the Town Library anchor one end of the Green. A few miles from the Green, the Town’s oldest home, the 1733 Daniel Benton Homestead Museum, was restored by the local Historical Society with grant funding, symbolizing the value the community places on preserving its heritage.

The Town is a growing outer-ring suburb of the Hartford metropolitan area. Over 98% of its dwellings are owner-occupied, single-family homes. Based on land subdivision revisions and current economic conditions, housing starts over the last seven years have slowed and projections are for modest growth over the next decade.

### Economic Development

Although Tolland continues to be a town with strong emphasis on land preservation, it has taken great steps to expand and encourage commercial growth in the Business Park and the Gateway Design District. Over the years, the award of State grants has enabled roads to be extended in the Business Park allowing the 80,000-square-foot Dari Farms to relocate and expand its business. In addition, NESTEEL has completed an expansion of 45,000 square feet, and Wilson Woodworking has constructed a new building of 15,700 square feet. A further extension of the road within the Business Park has allowed for the creation of three additional lots, one of which was sold to Star Hill for its development. In late 2009, Star Hill Family Athletic Center began its operation and now offers residents athletic fields, a swimming pool, fitness equipment, locker rooms and meeting rooms.

The Town’s Gateway Design District is in the vicinity of exit 68 off Interstate 84 which serves as the main access point to Tolland and also as the primary vehicular connection to the University of Connecticut’s main campus which is approximately seven miles southeast along Route 195. Due to the expansion plans of the university, including the development of a research park, the Town anticipates the expansion of economic development opportunities in the Gateway Design District, the Tolland Village Area and the proposed Technology Zone.

The Phase I of sewer expansion, a \$2.5 million project extending public sewers along Old Post Road, brought sewers to two of the Town’s public schools as well as to some private residences along the way. Importantly, it brought the sewer network closer to an underdeveloped commercial area that constitutes the Gateway Design District. The second extension continued from Old Post Rd. through the Gateway to the

new High School which greatly expanded the business area beginning with a commercial campus in the south-west quadrant of the Gateway Design District. This 120,000-square-foot development includes a Big Y supermarket of 60,000 square feet and three smaller business buildings housing a new branch for a bank, a medical facility, a restaurant and other retail stores. Phase III was completed in 2010 extending the sewer line farther down Route 195 in the area identified as the Technology Corridor Zone. The Town received a \$200,000 STEAP Grant to combine with sewer assessments for this extension.

Prospects for development of the area north of I-84, now known as the Tolland Village Area, a planned Transit Oriented Development (TOD) mixed-use zone, are favorable. The Town has been working with property owners, developers and residents to create a vision of the development in this area that will take advantage of public water and sewer recently installed. The Town's Planning and Zoning Commission is working with a consultant and has recently approved zoning regulations associated with the development of this area. Currently, the Town is applying for State grants to construct a connector road and improvements to Route 195 which will facilitate the development of over 100 units of townhouses in this area.

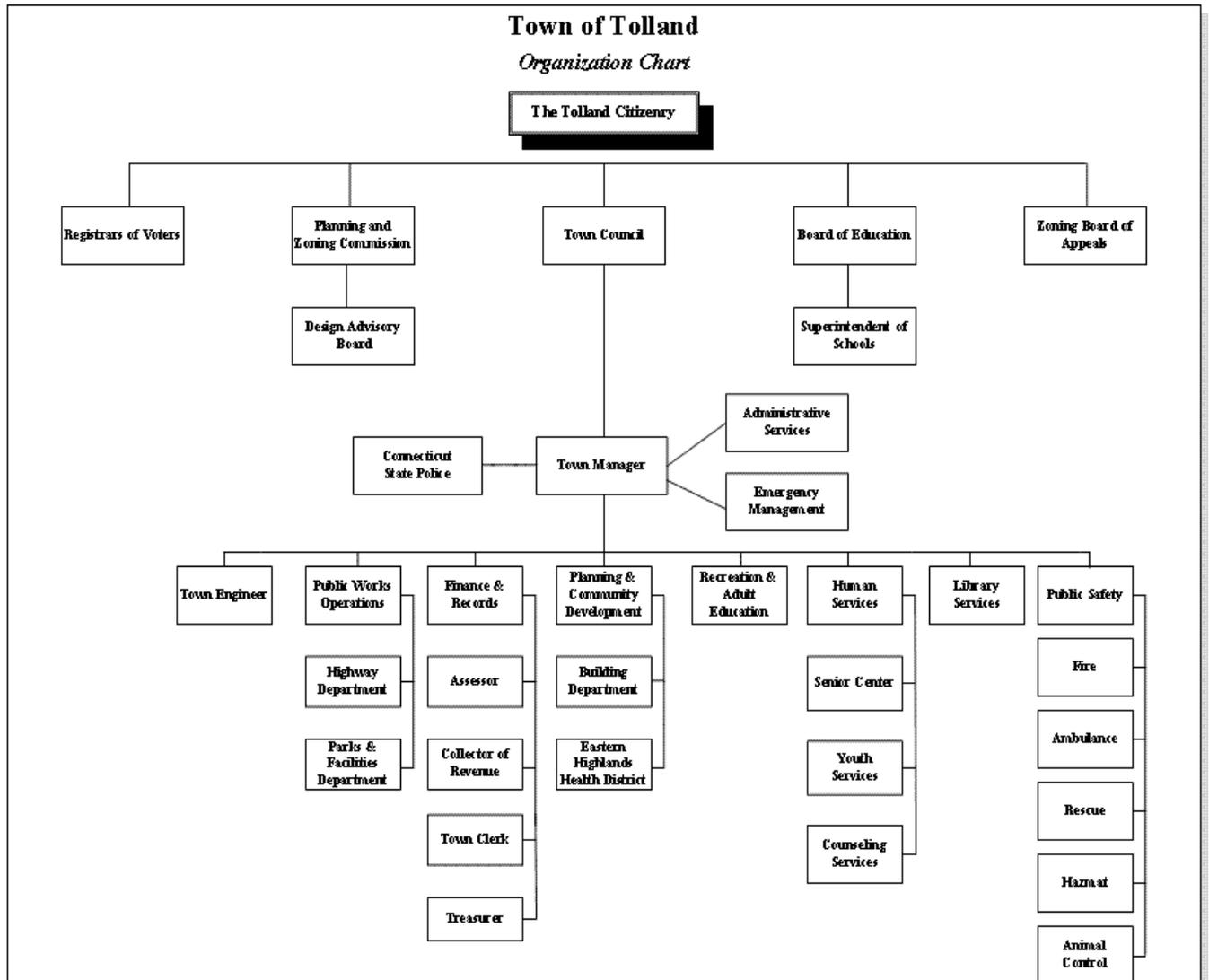
In addition, the Planning and Zoning Commission completed amendments to the local zoning regulations to provide more flexible standards for the development of commercial properties.

The Planning and Zoning Commission has also adopted an updated Plan of Conservation and Development which includes a residential/commercial build-out analysis as well as a review of the economic development goals of the community.

### **Government Organization**

Tolland is governed by a charter first adopted in 1973 (amended most recently in May 2004) under home rule provisions of the Connecticut General Statutes. As provided in the Charter, the Town utilizes the Council-Manager form of government. The seven members of the Town Council, who are elected at large for two-year terms, comprise the legislative and policy-making body of the Town. The Town Manager, who is appointed by the Town Council on the basis of executive and administrative qualifications, character, education, training and experience, is the full-time Chief Executive Officer. The Town Council elects its chairperson and vice-chairperson and appoints members to various Town boards, commissions, and committees. The Town Manager appoints department heads. The Town Manager and the Director of Finance and Records are responsible for the financial management of the Town. The budget, including a five-year capital improvement plan, is initially prepared by the Town Manager and submitted to the Town Council annually in March. Appropriations for both municipal and public school expenditures are included in the annual budget. After the holding of public hearings, the Town Council presents the budget to the annual budget meeting for public comment and then submits it for voter approval at referendum in May. Additional referenda, as required, are to be held every other week until a budget is finally approved. Within ten days after a successful annual budget referendum, the Town Council shall set the mill rate for the ensuing fiscal year.

Registered voters also have the power to approve or reject at referendum, with exceptions, any ordinance or other measure passed by the Town Council, including bonding authorizations, if a petition for the conduct of such referendum is filed within 30 days after adoption that contains the signatures of at least 5% of the registered voters at the last municipal election.



**Principal Municipal Officials**

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
Town Manager .....	Steven R. Werbner	Appointed/indefinite	7 years
Town Council Chairperson .....	Jack Scavone	Elected/2 years	< 1 year
Director of Finance and Records .....	Lisa A. Hancock	Appointed/indefinite	< 1 year <sup>1</sup>
Assistant Finance Director/ Treasurer .....	Agata Herasimowicz	Appointed/indefinite	5 years
Town Clerk .....	Margaret DeVito	Appointed/indefinite	19 years
Collector of Revenue .....	Linda Calabrese	Appointed/indefinite	4 years
Assessor .....	Jason Lawrence	Appointed/indefinite	< 1 year
Director of Planning and Community Development .....	Linda Farmer	Appointed/indefinite	24 years
Superintendent of Schools .....	William Guzman	Appointed/indefinite	10 years

<sup>1</sup> Ms. Hancock has over 28 years of municipal finance experience, with 26 of them in leadership positions. She has a strong background in technology improvements, policy development, budgeting and analysis, debt management, financial reporting and control, and cash management.

## Summary of Municipal Services

The Town's municipal services are currently organized under six (6) major divisions. They include: Administration, Finance and Records, Planning and Community Development, Community Services, Public Works and Environmental Maintenance, and Public Safety Services.

**Administration:** The Town Manager provides general supervision to all Town departments, which collectively staff approximately 86 employees. The Office of the Town Manager handles all human resource issues and other administrative services.

**Finance and Records:** The Town's financial operations, which include revenue collection, assessment services, town clerk, and accounting services, operate from several independent offices, all under the supervision of the Director of Finance and Records. The Accounting Office handles all financial transactions and administers financial control by balancing appropriations and expenditures with revenues. The Office of the Assessor compiles and updates valuation of all property within Tolland's borders. The Collector of Revenue is responsible for the prompt collection of all levied taxes. The Town Clerk is responsible for the recording and maintenance of all Town records.

**Planning and Community Development:** The Division of Planning and Community Development provides planning, zoning, health, inland wetlands, and building inspection services to residents and businesses of the Town. The Division employs a Director of Planning and Community Development, a Building Inspector and a Zoning Officer/Inland Wetlands Agent. Effective May 1, 2000, the Town joined the Eastern Highlands Health District to share sanitarian services with the Towns of Mansfield, Coventry, and Bolton. Since that time, the Towns of Andover, Ashford, Chaplin, Columbia, Scotland, and Willington have also joined the District. Through economies of scale, the District is able to provide high quality service to Tolland residents and businesses while realizing some financial benefits.

**Community Services:** The Community Services Department encompasses human services, library services, and recreation. A Library Director oversees the Tolland Library. The Director of Human Services oversees a Social Service Department, which provides a Marriage and Family Therapist, a Youth Services Coordinator, an Elderly Outreach Caseworker, and a Senior Center Director. The Town's Director of Recreation administers all recreational programs for Town residents, including an adult education program. An Assistant Director provides administrative support services for the recreational programs, which often occur during weekends and holidays. The Director of Recreation coordinates all park and field maintenance activities in conjunction with the Parks and Facilities Supervisor. One hundred forty-six acres were added to Crandall Park, which has a pond, hiking trails, pavilion, playground, and athletic fields, and provides an attractive and safe location for the Town's recreational activities. The Director operates The Lodge, a year-round rental facility overlooking Powell Pond in Crandall II Park. The facility can hold up to 100 guests with tables and chairs. The Pavilion at Crandall II Park is also available for rent seasonally and can hold up to 100 guests. Heron Cove Park and River Park include additional athletic fields to serve the Town. Kollar Wildlife Management Area, which covers 1,000 acres along the Willimantic River, is a popular site for hiking, biking, and fly-fishing; the Nye-Holman State Forest offers additional recreational opportunities.

**Public Works:** The Public Works Department is divided into three service areas: Administration, Parks and Facilities and Highway Division. Administration focuses on coordinating department activities, oversight of contracted services, implementation of the capital improvement program, budget preparation and supporting activities to the Town Manager's office. Parks and Facilities provides maintenance and repairs required to maintain Town buildings, cemeteries and grounds. The Highway Division is primarily focused on keeping Tolland's roads free from hazards and preserving the Town's investment in infrastructure through its pavement management program, maintenance activities such as sweeping and roadside mowing, and less routine activities such as drainage improvements, snow plowing and storm drainage restoration. The Public Works Department comprises 30 full-time employees and three part-time employees and is supplemented by contracted firms.

**Engineering:** Engineering is involved in the design and development of in-house projects, review of submissions to the Planning and Zoning Commission, and support services to the Water Pollution Control

Authority and Tolland Water System. Currently, the Town has contracted with an engineering consultant to provide these services.

**Public Safety:** The Town's Public Safety Services include police, fire, ambulance, and canine control. The Town contracts with the Connecticut State Police for the provision of law enforcement services throughout the Town, which includes a sergeant and four troopers. This contingent of officers coordinates closely with the Tolland-based State Police barracks to provide public safety services to residents and businesses. The Town employs a Public Safety Supervisor to administer all fire, ambulance, and emergency services throughout the Town. The Supervisor also serves as the Tolland Fire Department's Fire Chief. The Fire Department consists of both paid and volunteer firefighters operating out of four firehouses located strategically throughout the Town to minimize response time during emergency situations. In an effort to provide funding for replacement vehicles, ambulance revenues in excess of \$89,705 are earmarked annually for a capital equipment replacement fund in the Capital Improvement Plan. The plan for ambulance revenues has been in effect for all fiscal years since fiscal year 2001.

**Water:** The Town water system provides water services to a small sector of the community, servicing approximately 501 residences, 22 businesses and one municipal account. In addition, the Town operates two satellite systems to address neighborhood needs. The Connecticut Water Company services other designated sections throughout the Town.

**Sewer:** Public sewers are available in the west central portion of the Town, including the expanded business park. The sewers have also been extended down to the schools, through the Gateway Design District and up Route 195.

### **Public Schools**

An elected Board of Education of nine members makes the policy for the Town's pre-kindergarten through grade twelve educational system. It appoints the Superintendent of Schools who has responsibility for administration of the Tolland school system. As of October 2011 Tolland schools had an enrollment of approximately 2,977 students being taught in four facilities: the Birch Grove Primary School (grades Pre-K-2), the Tolland Intermediate School housing grades 3-5, the Tolland Middle School housing grades 6-8 and Tolland High School (grades 9-12). Parker Memorial Elementary School closed in September 2008 when the old High School re-opened as the new home for the middle school and the Intermediate School replaced the original middle school. A portion of Parker Memorial currently houses the recreation offices and is used for community programs.

Tolland students consistently rank well ahead of State averages in all categories of academic performance testing and have measured up well with peers in comparable communities (towns designated by the Connecticut Department of Education as constituting an Education Reference Group or ERG). In contrast to this evidence of good outcome, the financial input to education is modest; Tolland's expenditures per pupil remain below the average for all school districts in Connecticut as well as in the ERG.

**School Enrollments**

<u>As of October 1</u>	<u>Elementary Schools Grades Pre-K-4</u>	<u>Middle School Grades 5-8</u>	<u>High School Grades 9-12</u>	<u>Total Enrollment</u>
<i>Historical</i>				
1999 .....	1,054	866	712	2,632
2000 .....	1,143	887	729	2,759
2001.....	1,211	891	798	2,900
2002 .....	1,236	907	820	2,963
2003 .....	1,274	900	879	3,053
2004 .....	1,282	952	869	3,103
2005 .....	1,296	1,002	860	3,158
2006 .....	1,267	992	883	3,142
2007.....	1,478	771	900	3,149
	<u>Elementary Schools Grades Pre-K-5</u>	<u>Middle School Grades 6-8</u>	<u>High School Grades 9-12</u>	<u>Total Enrollment</u>
2008 .....	1,436	771	942	3,149
2009 .....	1,390	770	949	3,109
2010 .....	1,364	750	940	3,054
2011 .....	1,307	740	930	2,977
<i>Projected</i>				
2012 .....	1,275	709	951	2,935
2013 .....	1,229	698	934	2,861
2014 .....	1,273	698	934	2,905

**School Facilities<sup>1</sup>**

<u>School</u>	<u>Grades</u>	<u>Date of Construction (Last Remodeled)</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/11</u>	<u>Rated Capacity</u>
Tolland High School .....	9-12	2006	46 <sup>2</sup>	930	1,300
Tolland Middle School .....	6-8	1971 (1975)	37	740	840
Tolland Intermediate School .....	3-5	1963 (1995)	47	691	1,090
Birch Grove Primary School .....	Pre-K, K-2	1999	<u>16</u>	<u>616</u>	<u>785</u>
Total .....			146	2,977	4,015

<sup>1</sup> Figures based on data from 2011-12 school year.

<sup>2</sup> Excludes labs and science rooms.

**Principal Public Facilities**

<u>Facility</u>	<u>Year of Acquisition or Improvements</u>	<u>Type of Construction</u>	<u>Planned Major Improvements</u>
Crandall's Lodge .....	1989	Wood frame	None
Senior Center .....	1998	Wood frame	None
Maintenance Garage .....	1991	Steel	None
Highway Garage/Addition .....	1981	Steel/concrete block	None
Town Hall Arts Center .....	1997	Wood frame	None
Teen Center .....	1900	Wood frame	None
Hicks Municipal Center .....	1986 / 2011	Brick/concrete block	None
Plains Road Firehouse .....	1990	Concrete block	None
Crystal Lake Road Firehouse ....	1996	Concrete block	None
Fire Training Center .....	1998	Wood frame	None
Rhodes & Merrow Road Firehouse .....	1973	Concrete block	None
Gehring Road Firehouse .....	1975	Concrete block	None

**Municipal Employees**

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
General government .....	85	86	87	87	88
Board of Education <sup>1</sup> .....	<u>431</u>	<u>432</u>	<u>435</u>	<u>428</u>	<u>428</u>
Total .....	516	518	522	515	516

<sup>1</sup> Includes full-time equivalents.

**Municipal Employees Bargaining Organizations**

<u>Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
IAFF Local 3954 .....	6	6/30/13
Teamsters Local 1035 .....	24	6/30/13
Tolland Educational Association <sup>1</sup> .....	230	6/30/14
Tolland Administrators <sup>1</sup> .....	11	6/30/14
Tolland Paraprofessionals <sup>1</sup> .....	97	6/30/13
Tolland School Nurses <sup>1</sup> .....	7	6/30/14
CSEA Local 2001 Town Hall Employees .....	30	6/30/13
Tolland Custodian, Maintenance & Grounds Assoc. AFSCME <sup>1</sup> .....	24	6/30/13
Association of Education Secretaries <sup>1</sup> .....	<u>20</u>	6/30/13
Total Bargaining .....	449	
Non-bargaining <sup>1</sup> .....	<u>67</u>	
Total .....	516	

<sup>1</sup> Includes full-time equivalents.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of

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

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**SECTION III – DEMOGRAPHIC AND ECONOMIC DATA SECTION**

**Population Trends and Densities**

<u>Year</u>	<u>Population</u> <sup>1</sup>	<u>Percent Change</u>	<u>Density</u> <sup>2</sup>
2010 .....	15,052	14.5	373
2000 .....	13,146	19.5	325
1990 .....	11,001	13.5	272
1980 .....	9,694	23.4	240
1970 .....	7,857	166.3	194
1960 .....	2,950	-	73

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

<sup>2</sup>Population per square mile: 40.4 square miles.

**Age Distribution of the Population**

<u>Age</u> <sup>1</sup>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years .....	791	5.2	202,106	5.6
5 to 19 years .....	3,517	23.4	713,670	20.0
20 to 24 years .....	684	4.5	227,898	6.4
25 to 44 years .....	3,471	23.1	904,815	25.3
45 to 54 years .....	2,889	19.2	575,597	16.1
55 to 59 years .....	1,077	7.2	240,157	6.7
60 to 64 years .....	886	5.9	203,295	5.7
65 years and over .....	<u>1,737</u>	<u>11.5</u>	<u>506,559</u>	<u>14.2</u>
Total .....	15,052	100.0	3,574,097	100.0
2010 median age (years) <sup>1</sup> .....	41.6	-	40.0	-
2000 median age (years) <sup>2</sup> .....	37.4	-	37.4	-

Sources: <sup>1</sup>U.S. Department of Commerce, Bureau of Census, 2010 Census.

<sup>2</sup>U.S. Department of Commerce, Bureau of Census, 2000 Census.

**Comparative Income Measures**

	<u>Town of Tolland</u>	<u>State of Connecticut</u>
Per capita income, 2010 .....	\$41,883	\$36,775
Median family income, 2010 .....	\$108,564	\$84,170
Median household income, 2010 .....	\$99,764	\$67,740

Source: 2006-2010 American Community Survey.

### Income Distribution

	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999 .....	13	0.3	28,163	3.1
10,000 – 14,999 .....	22	0.5	18,987	2.1
15,000 – 24,999 .....	160	3.6	48,016	5.3
25,000 – 34,999 .....	124	2.8	57,101	6.3
35,000 – 49,999 .....	330	7.5	91,930	10.1
50,000 – 74,999 .....	472	10.7	155,098	17.0
75,000 – 99,999 .....	884	20.1	142,615	15.6
100,000 – 149,999 .....	1,103	25.1	190,257	20.9
150,000 – 199,999 .....	660	15.0	81,689	8.9
200,000 and over .....	<u>632</u>	<u>14.4</u>	<u>97,797</u>	<u>10.7</u>
Total .....	4,400	100.0	911,653	100.0

Source: 2006–2010 American Community Survey.

### Educational Attainment (Years of School Completed – Age 25 and Over)

	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 <sup>th</sup> grade .....	211	2.2	112,149	4.7
9 <sup>th</sup> to 12 <sup>th</sup> grade, no diploma .....	333	3.4	167,250	7.0
High school graduate .....	2,099	21.7	685,158	28.6
Some college, no degree .....	1,723	17.8	415,439	17.3
Associate’s degree .....	686	7.1	174,712	7.3
Bachelor’s degree .....	2,615	27.0	476,316	19.8
Graduate or professional degree .....	<u>2,012</u>	<u>20.8</u>	<u>367,259</u>	<u>15.3</u>
Total .....	9,679	100.0	2,398,283	100.0
Total high school graduate or higher .....	-	94.4	-	88.4
Total bachelor’s degree or higher .....	-	47.8	-	35.2

Source: 2006–2010 American Community Survey.

### Labor Force Data

<u>Reporting Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>		
				<u>Town of Tolland</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
June 2012 .....	8,697	8,175	522	6.0	8.5	8.4
2011 .....	8,643	8,117	526	6.1	8.8	8.8
2010 .....	8,538	7,979	559	6.5	9.2	9.1
2009 .....	8,553	8,023	530	6.2	8.3	8.2
2008 .....	8,451	8,103	348	4.1	5.8	5.7
2007 .....	8,420	8,143	277	3.3	4.7	4.6
2006 .....	8,278	8,018	260	3.1	4.5	4.4
2005 .....	8,090	7,809	281	3.5	5.1	4.9
2004 .....	7,948	7,660	288	3.6	5.2	4.9
2003 .....	7,876	7,570	306	3.9	5.8	5.5
2002 .....	7,720	7,490	230	3.0	4.5	4.4

Source: State of Connecticut, Labor Department, Office of Research.

### Industry Classification

<u>Sector</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining .....	-	-	6,592	0.4
Construction .....	412	5.2	112,301	6.4
Manufacturing .....	1,193	15.0	207,476	11.7
Wholesale trade .....	313	3.9	47,436	2.7
Retail trade .....	686	8.7	195,667	11.1
Transportation, warehousing and utilities .....	202	2.5	67,556	3.8
Information .....	196	2.5	46,077	2.6
Finance, insurance, real estate and leasing .....	1,059	13.4	167,484	9.5
Professional, scientific, management, administrative and waste management .....	901	11.4	189,671	10.7
Educational, health and social services .....	1,914	24.1	438,801	24.8
Arts, entertainment, recreation, accommodation and food services .....	355	4.5	140,551	8.0
Other services .....	257	3.2	78,859	4.5
Public administration .....	<u>441</u>	<u>5.6</u>	<u>67,078</u>	<u>3.8</u>
Total .....	7,929	100.0	1,765,549	100.0

Source: 2006–2010 American Community Survey.

### Commute to Work (16 years of age and over)

	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone .....	6,605	85.3	1,364,621	79.1
Car pools .....	437	5.6	143,679	8.3
Using public transportation .....	59	0.8	76,305	4.4
Walked .....	67	0.9	51,957	3.0
Using other means .....	43	0.5	21,463	1.2
Worked at home .....	<u>531</u>	<u>6.9</u>	<u>68,071</u>	<u>4.0</u>
Total .....	7,742	100.0	1,726,096	100.0
Mean travel to work (minutes) .....	26.5	-	24.6	-

Source: 2006–2010 American Community Survey.

## Major Employers

The following are among the most significant employers in the Town of Tolland.

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees<sup>1</sup></u>
Town of Tolland .....	Municipality	516
Gerber Garment .....	Precision instruments	313
Woodlake at Tolland .....	Nursing Home	215
Big Y .....	Supermarket	210
Dari-Farms .....	Sales	190
CNC Software .....	Software supplier	120
Standard Register .....	Forms	91
NERAC, Inc. ....	Research	62
Northeast Utilities .....	Utility	61
Soldream, Inc. ....	Precision instruments	55

<sup>1</sup> Full-time equivalent.

## Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Single-Family Residential</u>		<u>Number</u>	<u>Total<sup>1</sup></u>	<u>Value</u>
	<u>Number</u>	<u>Value</u>			
2011-12 .....	8	\$ 2,781,931	1,078		\$ 12,885,208
2010-11 .....	6	1,543,195	871		8,337,237
2009-10 .....	9	1,957,878	745		10,207,828
2008-09 .....	9	1,842,000	896		7,294,212
2007-08 .....	40 <sup>2</sup>	8,311,792	1,038		18,969,292
2006-07 .....	40	8,256,000	1,125		17,935,790
2005-06 .....	66	12,748,000	1,337		25,558,223
2004-05 .....	79	14,067,879	1,350		62,717,499 <sup>3</sup>
2003-04 .....	98	16,045,430	1,632		26,125,302
2002-03 .....	84	13,804,750	1,302		25,031,919
2001-02 .....	102	16,493,000	1,395		21,601,200
2000-01 .....	100	15,680,000	1,425		21,000,000

<sup>1</sup> Includes commercial and industrial.

<sup>2</sup> Includes eight single-family apartment units.

<sup>3</sup> Includes \$34.8 million for new high school and \$1 million for 60,000-square-foot supermarket.

### Age Distribution of Housing

<u>Household Characteristics</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier .....	240	4.5	351,823	23.9
Built in 1940-1949 .....	154	2.9	109,487	7.4
Built in 1950-1959 .....	516	9.8	225,730	15.3
Built in 1960-1969 .....	953	18.0	198,079	13.4
Built in 1970-1979 .....	746	14.1	202,661	13.7
Built in 1980-1989 .....	992	18.8	189,562	12.9
Built in 1990-1999 .....	974	18.4	108,780	7.4
Built in 2000-2004 .....	514	9.7	61,101	4.1
Built in 2005 or later .....	<u>198</u>	<u>3.8</u>	<u>28,434</u>	<u>1.9</u>
Total .....	5,287	100.0	1,475,657	100.0

Source: 2006-2010 American Community Survey.

### Housing Units by Type of Structure

<u>Type</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached .....	4,814	91.1	874,259	59.2
Single-family attached .....	113	2.1	76,187	5.2
Multifamily .....	348	6.6	512,014	34.7
Mobile home, trailer, or other .....	<u>12</u>	<u>0.2</u>	<u>13,197</u>	<u>0.9</u>
Total .....	5,287	100.0	1,475,657	100.0

Source: 2006-2010 American Community Survey.

### Owner-occupied Housing Units

	<u>Town of Tolland</u>	<u>State of Connecticut</u>
Total owner-occupied units .....	4,927	939,984
Persons per unit .....	2.87	2.65

<u>Specified Owner-occupied Units</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000 .....	42	0.8	13,644	1.4
\$ 50,000 to \$ 99,999 .....	28	0.6	18,668	2.0
\$100,000 to \$149,999 .....	143	2.9	56,161	6.0
\$150,000 to \$199,999 .....	424	8.6	122,274	13.0
\$200,000 to \$299,999 .....	1,905	38.7	267,519	28.4
\$300,000 to \$499,999 .....	2,069	42.0	280,008	29.8
\$500,000 to \$999,999 .....	316	6.4	134,075	14.3
\$1,000,000 or more .....	<u>-</u>	<u>-</u>	<u>47,635</u>	<u>5.1</u>
Total .....	4,927	100.0	939,984	100.0
Median value .....	\$295,700	-	\$296,500	-

Source: 2006-2010 American Community Survey.

## Number and Size of Households

<u>Household Characteristics</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households .....	14,915	-	3,455,945	-
Persons per household (average) .....	2.81	-	2.52	-
Persons per family .....	3.16	-	3.08	-
Family households .....	4,207	79.2	908,661	66.3
Non-family households .....	<u>1,105</u>	<u>20.8</u>	<u>462,426</u>	<u>33.7</u>
All households .....	5,312	100.0	1,371,087	100.0
Family households by type				
Married couple .....	3,739	88.9	672,013	73.9
Female householders, no spouse .....	313	7.4	176,973	19.5
Other .....	<u>155</u>	<u>3.7</u>	<u>59,675</u>	<u>6.6</u>
Total family households .....	4,207	100.0	908,661	100.0
Non-family households by type				
Householders living alone .....	821	74.3	373,648	80.8
Other .....	<u>284</u>	<u>25.7</u>	<u>88,778</u>	<u>19.2</u>
Total non-family households .....	1,105	100.0	462,426	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2010 Census.

## Housing Unit Vacancy Rates

<u>Housing Units</u>	<u>Town of Tolland</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units .....	5,273	99.7	1,359,218	92.1
Vacant housing units .....	<u>14</u>	<u>0.3</u>	<u>116,439</u>	<u>7.9</u>
Total units .....	5,287	100.0	1,475,657	100.0
Homeowner vacancy rate .....	-	-	-	1.4
Rental vacancy rate .....	-	3.9	-	7.0

Source: 2006-2010 American Community Survey.

## Breakdown of Land Use

<u>Land Use Category</u>	<u>Total Area</u>		<u>Developed</u>		<u>Undeveloped</u>	
	<u>Acres</u>	<u>Percent</u>	<u>Acres</u>	<u>Percent of Total</u>	<u>Acres</u>	<u>Percent of Total</u>
Residential .....	18,753	72.7	10,209	39.6	8,544	33.1
Commercial .....	1,000	3.9	600	2.3	400	1.6
Open space .....	<u>6,039</u>	<u>23.4</u>	-	-	<u>6,039</u>	<u>23.4</u>
Total .....	25,792	100.0	10,809	41.9	14,983	58.1

Source: Tolland Planning & Community Development Department, June 2012.

The Town experienced considerable single-family residential growth from 1995 to 2005 issuing approximately 100 dwellers' permits each year. After a nine-month subdivision moratorium, which ended in December 2005, new Natural Resource Density Based Zoning Regulations were adopted to determine development potential in accordance with the property characteristics and constraints. The adoption of such regulations served to reduce the development potential of much vacant land and rendered some very steep, wet or rocky land unsuitable for development. The Plan of Conservation and Development adopted in 2009 identified the need for more diverse

housing stock and the Planning and Zoning Commission has begun revisions to regulations to permit multi-family housing developments in and adjacent to commercial zones.

Currently, the Town continues to purchase open space with grant assistance as well as acquire it as part of the few approved subdivisions. Residential and commercial development has slowed considerably due to current market forces, although applications for an 87-unit, multi-family housing development and an over 100-unit, multi-family housing development are pending. Construction on a 135,000-square-foot athletic complex in the Tolland Business Park was completed in late 2009.

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**SECTION IV - DEBT SECTION**

**Debt Summary  
Pro Forma  
As of August 29, 2012**

**Outstanding Short-term Debt**

The Town of Tolland does not have any short-term debt outstanding.

**Outstanding Bonded Debt<sup>1</sup>**

<u>Dated Date</u>	<u>Purpose</u>	<u>Rate</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
12/01/04 .....	General purpose	3.50-4.25	\$ 1,050,000	\$ 190,000	12/01/13
12/01/04 .....	School	3.50-4.25	6,740,000	710,000	12/01/13
12/01/04 .....	Sewer	3.50-4.25	2,210,000	240,000	12/01/13
09/01/05 .....	General purpose	3.75-4.25	698,779	134,955	09/01/17
09/01/05 .....	School	3.75-4.50	16,516,221	8,390,045	09/01/20
09/15/06 .....	General purpose	4.00-5.00	465,000	338,152	08/15/26
09/15/06 .....	School	4.00-5.00	7,050,000	5,126,848	08/15/26
09/15/06 .....	Sewer	4.00-5.00	1,500,000	1,050,000	08/15/21
09/01/07 .....	General purpose	3.90-5.00	1,855,000	1,655,000	09/01/27
09/01/07 .....	School	3.90-5.00	2,400,000	2,120,000	09/01/27
09/01/08 .....	General purpose	3.00-4.00	2,010,000	1,630,000	09/01/18
08/01/10 .....	General purpose	2.00-4.00	825,000	784,160	08/01/30
08/01/10 .....	School	2.00-4.00	1,700,000	1,615,840	08/01/30
10/18/11 .....	General purpose	2.00-4.00	1,942,000	1,942,000	10/01/26
10/18/11 .....	School	2.00-4.00	2,235,000	2,175,000	10/01/23
10/18/11 .....	Sewer	2.00-4.00	733,000	733,000	10/01/26
08/29/12 .....	This issue, Series A	1.50-3.00	1,460,000	1,460,000	09/01/27
08/29/12 .....	This issue, Series B	3.00-5.00	8,025,000	<u>8,025,000</u>	09/01/25
Total .....				<u>\$38,320,000</u>	

<sup>1</sup> Excludes the Refunded Bonds.

**Other Obligations**

**Solid Waste Service Contract:** The Town of Tolland entered into a Solid Waste Management Services Contract (the "Service Contract") with the Connecticut Resources Recovery Authority ("CRRA"). The Service Contract provides for the disposal of solid waste only through CRRA's Mid-State Connecticut System. Pursuant to the Service Contract, the Town must deliver all acceptable solid waste from within its jurisdiction and a minimum of 3,600 tons per year to the CRRA Mid-Connecticut Facility located in Hartford, Connecticut.

In June 2003, the Town extended its Service Contract with CRRA until November 2012 in return for a \$3 per ton reduction in the tipping fee. The Service Contract provides that the Town's obligation to pay the tipping fee shall be absolute and unconditional, shall not be subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other rights which the Town may have against CRRA. The Town has pledged its full faith and credit for the payment of the tipping fee.

Under the contract in effect, the Town is currently paying a tipping fee of \$69.00 per ton. The Town in 2010 joined together with 21 towns in the region to solicit proposals for disposal services provided after 2012. After extensive review, the Town opted to switch from CRRA to Willimantic Waste. Beginning on December 1, 2012, the Town will enter into a new contract with Willimantic Waste for \$60.00 per ton for the fiscal year. The cost will increase by 2.5% each year or the cost of living, whichever is less. Currently, Willimantic Waste also provides the Town with collection services as well as collection and disposal of recyclables. Several years ago the Town implemented single-stream recycling and has increased its rate of collection of recyclables by 19.2% from fiscal year 2009 to fiscal year 2010. In addition the Town has been averaging \$20 per ton rebate from Willimantic Waste for recyclables collected.

**Sewer Treatment Service Contract:** The Town entered into an agreement on April 6, 1989 with the Town of Vernon whereby under certain conditions, the Town of Vernon will receive sanitary sewage, septage and industrial waste from the Town. The Town of Vernon has agreed to maintain a sewage treatment plant for treatment of domestic sewage and industrial waste water in compliance with State and Federal requirements. The Town, along with the Towns of Ellington, South Windsor, and Manchester, has agreed to pay the Town of Vernon a share of the total capital construction costs and future required improvements, modifications and/or enlargements plus accrued interest at the applicable financing rate. The Town of Vernon entered into a Clean Water Fund Project Loan Obligation with the State of Connecticut in December 1997 for \$27,635,550. The Town has agreed to pay its share (6.33%) of the annual debt service associated with the Town of Vernon's loan obligation to the State, consisting of principal and semi-annual interest payments. On August 29, 2012, Tolland's share of outstanding principal will be \$444,125. The loan matures in 2016 and bears interest at 2%.

**Sewer Line Construction Service Contract:** The Town entered into an agreement with the Town of Vernon for sewer construction along East Main Street. The Town appropriated \$555,000 for its share of principal and \$295,678 for interest payments on sewer bonds issued by the Town of Vernon to fund the project. The bonds mature in 2013 and bear interest at 5% to 6.75%. On August 29, 2012, Tolland's share of outstanding principal will be \$57,000.

**Qualified Energy Conservation Bond Taxable Lease Obligation:** In June 2011, the Town entered into a 15-year, \$3.6 million taxable lease obligation, at an interest rate of 5.11%, with Chase Equipment Finance, providing funds for geothermal energy improvements to the Hicks Municipal Building. The Town expects to receive a subsidy from the U.S. Treasury in the amount of 70% of the interest calculated at the U.S. Treasury-determined tax credit rate (5.01%) over the life of the obligation.

### **Overlapping/Underlying Debt**

The Town does not have any overlapping or underlying debt.

**Bonded Debt Maturity Schedule<sup>1</sup>**  
**Pro Forma**  
**As of August 29, 2012**

<b>Fiscal Year Ending</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Payments</b>	<b>This Issue Series A</b>	<b>This Issue Series B</b>	<b>Cumulative Principal Retired</b>
2013 <sup>2</sup> .....	\$ 2,500,000	\$ 866,586	\$ 3,366,586	\$ -	\$ -	6.52
2014 .....	3,110,000	937,364	4,047,364	100,000	-	14.90
2015 .....	2,595,000	836,683	3,431,683	100,000	445,000	23.10
2016 .....	2,630,000	744,424	3,374,424	100,000	340,000	31.11
2017 .....	2,635,000	643,962	3,278,962	100,000	490,000	39.52
2018 .....	2,600,000	543,187	3,143,187	100,000	485,000	47.83
2019 .....	2,160,000	452,300	2,612,300	100,000	485,000	55.00
2020 .....	1,905,000	371,280	2,276,280	100,000	485,000	61.50
2021 .....	1,910,000	294,994	2,204,994	95,000	480,000	67.98
2022 .....	1,340,000	232,188	1,572,188	95,000	1,065,000	74.50
2023 .....	1,020,000	189,042	1,209,042	95,000	1,060,000	80.18
2024 .....	1,030,000	151,484	1,181,484	95,000	1,070,000	85.91
2025 .....	855,000	116,009	971,009	95,000	1,055,000	91.14
2026 .....	890,000	82,091	972,091	95,000	565,000	95.19
2027 .....	740,000	50,267	790,267	95,000	-	97.36
2028 .....	465,000	26,490	491,490	95,000	-	98.83
2029 .....	150,000	14,400	164,400	-	-	99.22
2030 .....	150,000	8,812	158,812	-	-	99.61
2031 .....	150,000	3,000	153,000	-	-	100.00
<b>Total .....</b>	<b>\$28,835,000</b>	<b>\$6,564,563</b>	<b>\$35,399,563</b>	<b>\$1,460,000</b>	<b>\$8,025,000</b>	

<sup>1</sup>Excludes the Refunded Bonds.

<sup>2</sup>Does not include \$625,000 principal payments and \$181,478 interest payments made from July 1, 2012 through August 29, 2012.

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

**Statement of Statutory Debt Limitation  
Pro Forma  
As of August 29, 2012**

**Debt Limitation Base**

Estimated total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2012 (unaudited) .....	\$38,240,498
Debt Limitation Base .....	\$38,240,498

**Debt Margin**

<u>Debt Limitation by Purpose</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
2.25 x base .....	\$86,041,121				
4.50 x base .....	-	\$172,082,241			
3.75 x base .....	-	-	\$143,401,868		
3.25 x base .....	-	-	-	\$124,281,619	
3.00 x base .....	-	-	-	-	\$114,721,494
Total debt limitation .....	86,041,121	172,082,241	143,401,868	124,281,619	114,721,494
Less indebtedness: <sup>1</sup>					
Series A Bonds .....	960,285	499,715	-	-	-
Series B Bonds .....	256,700	6,579,900	1,188,400	-	-
Bonds payable .....	6,674,267	20,137,733	2,023,000	-	-
Bonds authorized but unissued ...	<u>701,931</u>	<u>1,881,056</u>	<u>117,000</u>	<u>-</u>	<u>-</u>
Total overall debt .....	8,593,183	29,098,404	3,328,400	-	-
Less school construction grants receivable .....					
	<u>-</u>	<u>1,720,573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net debt .....	8,593,183	27,377,831	3,328,400	-	-
Debt limitation in excess of outstanding and authorized debt .....					
	\$77,447,938	\$144,704,410	\$140,073,468	\$124,281,619	\$114,721,494

<sup>1</sup>Excludes the Refunded Bonds.

For the purpose of determining a municipality's compliance with the statutory debt limitation, there is no requirement that unissued debt though authorized be considered. The Town anticipates that it will receive approximately 54.29% of eligible school construction expenses to be applied toward the construction of a new high school in the form of progress payments. As of August 29, 2012, the Town has bonded its full local share which results in a total overall school debt within the debt limitation requirement for school debt.

The General Statutes require that in no event shall the total debt for the Town of Tolland exceed seven (7) times the annual receipts from taxation. Maximum debt for the Town of Tolland under this formula is \$267,683,486.

**Current Debt Statement  
Pro Forma  
As of August 29, 2012**

Bonded debt	
General purpose (including this issue) .....	\$ 7,891,252
Schools (including this issue).....	27,217,348
Sewers (including this issue) .....	<u>3,211,400</u>
Total bonded debt .....	38,320,000
Short-term debt .....	<u>          -</u>
Total overall debt .....	38,320,000
Less school construction grants receivable .....	<u>1,720,573</u>
Total net debt .....	\$36,599,427

**Current Debt Ratios  
Pro Forma  
As of August 29, 2012**

Population 2010 <sup>1</sup> .....	15,052
Per capita income, 2010 <sup>2</sup> .....	\$41,883
Net taxable grand list, 10/1/11 .....	\$1,293,289,310
Estimated full value @ 70% .....	\$1,847,556,157
Equalized net grand list (2009) <sup>3</sup> .....	\$1,819,491,626

	<b>Total Overall Debt</b>	<b>Total Net Debt</b>
	<b><u>\$38,320,000</u></b>	<b><u>\$36,599,427</u></b>
Per capita .....	\$2,545.84	\$2,431.53
To net taxable grand list .....	2.96%	2.83%
To estimated full value .....	2.07%	1.98%
To equalized net grand list .....	2.11%	2.01%
Ratio of debt per capita to per capita income .....	6.08%	5.81%

Sources: <sup>1</sup>U.S. Department of Commerce, Bureau of Census, 2010 Census.

<sup>2</sup>2005–2009 American Community Survey.

<sup>3</sup>State of Connecticut, Office of Policy and Management.

**Five-Year Debt Statement Summary**

	<b><u>2010-11</u></b>	<b><u>2009-10</u></b>	<b><u>2008-09</u></b>	<b><u>2007-08</u></b>	<b><u>2006-07</u></b>
Population <sup>1</sup> .....	15,052	15,052	14,705	14,631	14,699
Net taxable grand list .....	\$1,268,155,629	\$1,231,534,695	\$1,221,664,134	\$1,201,951,776	\$1,181,085,207
Estimated full value .....	\$1,811,650,899	\$1,759,335,279	\$1,745,234,477	\$1,717,073,966	\$1,687,264,581
Bond anticipation notes .....	\$ 825,000	\$ 1,350,000	\$ 1,400,000	\$ 2,450,000	\$ 4,680,000
Bonded debt .....	<u>38,390,000</u>	<u>39,040,000</u>	<u>42,035,000</u>	<u>42,865,000</u>	<u>40,950,000</u>
Total overall debt .....	39,215,000	40,390,000	43,435,000	45,315,000	45,630,000
Less grants receivable .....	<u>2,019,916</u>	<u>2,321,862</u>	<u>2,626,412</u>	<u>2,825,438</u>	<u>3,148,955</u>
Total net debt .....	\$37,195,084	\$38,068,138	\$40,808,588	\$42,489,562	\$42,481,045

Source: <sup>1</sup>State of Connecticut Department of Public Health estimate for 2006–09; U.S. Department of Commerce, Bureau of Census, 2010 Census for 2010 and 2011.

**Five-Year Debt Statement Summary Ratios**

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Total overall debt					
Per capita .....	\$2,605.30	\$2,683.36	\$2,953.76	\$3,097.19	\$3,104.29
To net taxable grand list .....	3.09%	3.28%	3.56%	3.77%	3.86%
To estimated full value .....	2.16%	2.30%	2.49%	2.64%	2.70%
Total net debt					
Per capita .....	\$2,471.11	\$2,529.11	\$2,775.15	\$2,904.08	\$2,890.06
To net taxable grand list .....	2.93%	3.09%	3.34%	3.54%	3.60%
To estimated full value .....	2.05%	2.16%	2.34%	2.47%	2.52%

**Comparison of Annual Debt Service  
to General Fund Expenditures**

<u>Fiscal Year Ended June 30</u>	<u>Debt Service</u>	<u>General Fund Expenditures<sup>1</sup></u>	<u>Debt Service as Ratio to General Fund Expenditures</u>
2012 (unaudited) .....	\$4,719,796	\$50,360,000	9.37
2011 .....	4,730,620	47,867,173	9.88
2010 .....	4,672,806	46,983,091	9.95
2009 .....	4,635,710	52,396,081	8.85
2008 .....	4,244,336	58,659,124	7.24
2007 .....	3,943,807	46,262,352	8.52
2006 .....	4,147,660	44,555,459	9.31

<sup>1</sup> Includes payments made by the State of Connecticut on behalf of the Town for teachers' pensions. The amount paid by the State for fiscal year 2008 was \$11,937,851, an increase of \$9,959,166 from the previous year.

**Authorized-but-Unissued Debt**

<u>Project</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>Grants/ Paydowns</u>	<u>This Issue</u>	<u>Authorized but Unissued</u>
Various Capital Projects .....	07/24/07	\$ 1,200,000	\$ 1,050,000	\$ -	\$ -	\$ 150,000
Open Space (passive) .....	10/03/00	2,000,000	1,625,000	369,662	-	5,338
Open Space (active) .....	11/07/00	1,300,000	1,270,000	-	-	30,000
Birch Grove Primary School Expansion .....	02/27/01	6,799,865	2,315,000	2,863,173	199,715	1,421,977
New High School <sup>1</sup> .....	06/03/03	56,635,000	29,995,000	26,596,273	-	43,727
Open Space <sup>2</sup> .....	11/04/03	2,000,000	1,995,120	-	-	4,880
Open Space <sup>2</sup> .....	11/07/06	2,000,000	1,669,880	-	-	330,120
Sewers .....	06/08/10	1,350,000	733,000	500,000	-	117,000
Various Capital Projects 2010-11 .....	07/13/10 & 06/28/11	1,476,141	972,056	433,662	70,423	-
Various Capital Projects, 2011-12 .....	07/26/11	1,542,944	969,944	320,000	36,262	216,738
Various Capital Projects, 2012-13 .....	07/10/12	<u>1,533,807</u>	<u>-</u>	<u>-</u>	<u>1,153,600</u>	<u>380,207</u>
Total .....		\$77,837,757	\$42,595,000	\$31,082,770	\$1,460,000	\$2,699,987

<sup>1</sup> The State Legislature approved construction grant funds for this project, and the Town anticipates that it will receive approximately 54.29% of eligible school construction expenses in the form of progress payments. The Town has just received the final audit results.

<sup>2</sup> The authorization allows for grant money to be spent above and beyond the authorized bonding amount. The Town has received \$365,000 toward the 2003 open space authorization and \$627,450 toward the 2006 open space authorization.

## Authority to Incur Debt

The Town of Tolland has the power to incur indebtedness as provided by the Connecticut General Statutes. The issuance of bonds and notes is authorized by resolution of the Town Council. Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes. Under the Town Charter, if any bond issue or note issue exceeds five percent (5%) of the current tax levy in any fiscal year, said bond or note issue must be approved by the Town's voters at referendum. Refunding bonds may be issued pursuant to a resolution of the Town Council (CGS Sec. 7-370c).

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 no later than the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from 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 sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

**SECTION V - FINANCIAL SECTION**

**Taxable Grand List  
(\$ in thousands)**

<b>Grand List 10/1</b>	<b>Residential Real Property Percent</b>	<b>Commercial and Industrial Real Property Percent</b>	<b>Other Real Property Percent</b>	<b>Personal Property Percent</b>	<b>Motor Vehicle Percent</b>	<b>Gross Taxable Grand List</b>	<b>Less Exemptions</b>	<b>Net Taxable Grand List</b>	<b>Percent Change</b>
2011 .....	81.6	6.2	0.6	2.4	9.2	\$1,304,100	\$10,811	\$1,293,289	1.0
2010 .....	82.3	6.2	0.6	2.0	8.9	1,299,161	17,200	1,281,961	1.1
2009 .....	82.0	6.1	0.6	2.7	8.6	1,284,654	16,498	1,268,156	3.0
2008 .....	82.0	6.5	0.7	3.1	8.8	1,247,397	15,862	1,231,534	0.8
2007 .....	81.1	6.4	0.3	3.0	9.2	1,236,836	15,172	1,221,664	1.6
2006 .....	81.8	5.9	0.2	3.1	9.0	1,215,225	13,273	1,201,952	1.8
2005 .....	82.0	5.7	0.1	3.1	9.1	1,191,789	10,704	1,181,085	-

Date of last general revaluation, 10/1/09.

**Major Taxpayers**

<b>Name</b>	<b>Business</b>	<b>Taxable Valuation As of 10/1/11</b>	<b>Percent of Net Taxable Grand List</b>
Capitol Ventures LLC .....	Shopping center	\$12,335,300	0.95
Connecticut Light & Power Co., Inc. ....	Utility	8,236,230	0.64
MJB Realty LLC .....	Sports complex	6,260,300	0.48
Gerber Scientific International .....	Holding company	4,136,700	0.32
Summers & Summers Realty LLC .....	Apartments	4,128,000	0.32
Ivy Woods LLC .....	Holding company	3,964,000	0.31
Carriage Crossing LLC .....	Developer	3,817,100	0.29
Norwegian Woods LLC .....	Apartments	3,597,000	0.28
Dari Farms Ice Cream Company .....	Sales	3,383,600	0.26
Tomlen .....	Developer	<u>2,798,500</u>	<u>0.22</u>
Total .....		\$52,656,730	4.07

Net Taxable Grand List for 10/01/11: \$1,293,289,310.

**Tax Collections**

<b>Fiscal Year Ended 6/30</b>	<b>Grand List 10/1</b>	<b>Mill Rate</b>	<b>Adjusted Annual Levy</b>	<b>Percent of Annual Levy Collected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected at End of Fiscal Year</b>	<b>Percent of Annual Levy Uncollected as of 6/30/12</b>
2013 (estimated) .....	2011	29.99	\$38,498,590		-----In Collection-----	
2012 (unaudited) .....	2010	29.73	38,099,627	99.1	0.8	0.8
2011 .....	2009	29.15	37,018,564	99.1	0.9	0.2
2010 .....	2008	29.49	36,331,806	99.2	0.8	-
2009 .....	2007	29.51	36,178,846	99.1	0.9	-
2008 .....	2006	28.39	34,273,077	99.2	0.8	-
2007 .....	2005	28.39	33,675,313	99.3	0.7	-
2006 .....	2004	27.22	31,275,379	99.4	0.6	-

## Property Taxes Uncollected

<u>Fiscal Year Ended June 30</u>	<u>Current Year</u>	<u>Total</u>
2011 .....	\$318,485	\$470,736
2010 .....	301,758	458,294
2009 .....	323,222	451,703
2008 .....	264,645	366,199
2007 .....	242,122	306,219
2006 .....	175,281	211,336
2005 .....	142,887	189,476

### Capital Budget Adoption Procedure

On or about October 31, the proposed Capital Improvement Plan for Boards and Staff Commissions is submitted to the Town Manager, who then submits the plan to the Town Council no later than January 3. By February 21, the Board of Education and the Department Heads submit their requested budgets to the Town Manager, and the Board of Education and Town Council hold a joint meeting by April 11. Prior to March 27, the Proposed Budget is submitted by the Town Manager to the Town Council. On or before April 3, a Public Hearing is held on the Town Manager's Proposed Budget which includes the Board of Education, Town Government, and Capital Improvement Plan. The Town Council finalizes the recommended budget by late April and presents it at the annual budget meeting for comments. The Annual Budget is then submitted for approval by the voters at referendum in May.

### Five-Year Capital Improvement Program

The Town Manager submits annually a proposed five-year Capital Improvement Plan to the Town Council. The following is a summary of the plan (fiscal years ending 2013–2017) as submitted to the Town Council in the Town Manager's fiscal year 2013 Budget.

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>Total</u>
<b>Proposed Expenditures</b>						
Administration .....	\$ 48,877	\$ 297,877	\$ 27,877	\$ 2,825,906	\$ 21,789	\$ 3,222,326
Board of Education .....	555,000	581,000	1,255,640	140,310	230,500	2,762,450
Capital Equipment .....	240,500	296,500	80,000	347,000	218,000	1,182,000
Fire and Ambulance .....	315,000	225,000	286,238	624,000	222,500	1,672,738
Parks and Recreation .....	394,350	40,000	39,600	-	39,600	568,934
Public Facilities .....	83,497	30,000	145,000	75,000	-	473,497
Streets and Roads .....	<u>973,600</u>	<u>1,496,300</u>	<u>850,000</u>	<u>950,000</u>	<u>960,000</u>	<u>5,290,107</u>
Total Expenditures .....	\$2,610,824	\$2,966,677	\$2,684,355	\$4,962,216	\$1,692,389	\$15,172,052
<b>Funding Sources</b>						
General Fund Contribution .....	\$ 171,877	\$ 384,391	\$ 447,817	\$ 299,216	\$ 364,889	\$ 1,668,190
Bonds and Notes.....	1,153,600	1,892,300	1,680,300	1,219,000	835,000	6,780,200
CNRE.....	59,000	40,000	-	-	-	99,000
Grants .....	824,350	495,000	270,000	2,520,000	270,000	4,379,350
Ambulance Fees .....	404,350	343,334	358,334	712,096	303,096	2,121,210
Other Resources.....	<u>100,948</u>	<u>59,986</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>460,934</u>
Total Funding Sources.....	\$2,714,125	\$3,215,011	\$2,756,451	\$5,050,312	\$1,772,985	\$15,508,884

## **Significant Accounting Policies and Basis of Accounting**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Town has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds. The Town's accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Agency and Pension Trust Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See "Notes to the Financial Statements" in Appendix A herein for more information.

### **Certificate of Achievement**

The financial statements and tables found in the Town's Comprehensive Annual Financial Report conform to the high standards promulgated by the Government Accounting Standards Board. The Government Finance Officers' Association each year since 1992 has awarded the Town a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement, which is valid for one year only, is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment for a governmental unit and its management. For additional information on accounting policies, financial statements, and tables refer to the 2010-11 financial statements and "Notes to the Financial Statements" incorporated in Appendix A to this Official Statement and the independent auditor's report.

## Financial Statements and Schedules

The comparative balance sheets and statements of revenues, expenditures, and changes in fund balance for General Fund types presented herein are derived from audited financial statements for fiscal years ended June 30, 2007 through 2011. The Town has provided budgetary information for 2012-13 and unaudited estimated results of operation for 2011-12. The Town's independent accountants have not examined, reviewed, or compiled any of the estimates or expressed any opinion or provided any other form of assurance with respect to such estimates, and, accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the Town's management.

### Comparative Balance Sheets - General Fund

	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>
<b><u>Assets</u></b>					
Cash .....	\$ 9,364,728	\$6,855,623	\$8,297,052	\$7,632,940	\$ 262,650
Investments .....	-	1,000,000	-	-	4,605,520
Property taxes receivable .....	512,866	453,777	447,186	366,199	306,219
Accounts and other receivables .....	-	365,722	292,080	159,803	383,033
Due from other governments .....	-	12,646	15,243	20,170	8,813
Due from other funds .....	<u>234,401</u>	<u>593,138</u>	<u>193,779</u>	<u>799,932</u>	<u>2,615,158</u>
Total assets .....	<u>\$10,111,995</u>	<u>\$9,280,906</u>	<u>\$9,245,340</u>	<u>\$8,979,044</u>	<u>\$8,181,393</u>
<b><u>Liabilities and Fund equity</u></b>					
<b><u>Liabilities</u></b>					
Accounts and other payables .....	\$ 115,093	\$ 193,660	\$ 650,095	\$ 373,243	\$ 290,018
Accrued liabilities .....	525,407	1,001,716	875,469	889,079	1,001,088
Due to other funds .....	242,731	239,080	169,765	232,201	394,349
Deferred revenue .....	<u>1,417,497</u>	<u>550,023</u>	<u>609,494</u>	<u>824,852</u>	<u>484,069</u>
Total liabilities .....	<u>2,300,728</u>	<u>1,984,479</u>	<u>2,304,823</u>	<u>2,319,375</u>	<u>2,169,524</u>
<b><u>Fund equity / Fund balances<sup>1</sup></u></b>					
Assigned .....	1,601,935	-	-	-	-
Unassigned .....	6,209,332	-	-	-	-
Reserved .....	-	1,176,551	1,085,203	1,484,504	1,117,199
Unreserved:					
Designated .....	-	235,260	100,000	-	246,912
Undesignated .....	<u>-</u>	<u>5,884,616</u>	<u>5,755,314</u>	<u>5,175,165</u>	<u>4,647,758</u>
General Fund balance .....	<u>7,811,267</u>	<u>7,296,427</u>	<u>6,940,517</u>	<u>6,659,669</u>	<u>6,011,869</u>
Total liabilities and fund equity .....	<u>\$10,111,995</u>	<u>\$9,280,906</u>	<u>\$9,245,340</u>	<u>\$8,979,044</u>	<u>\$8,181,393</u>
Operating revenues .....	\$49,613,324	\$50,950,725	\$53,030,755	\$60,019,233	\$47,593,388
Fund balance as percent of operating revenues .....	15.7%	14.3%	13.1%	11.1%	12.6%
Unassigned/undesignated fund balance as percent of operating revenues .....	12.5%	11.5%	10.9%	8.6%	9.8%

<sup>1</sup> Fund balances reflect the implementation of GASB 54 in fiscal year 2011.

**General Fund Revenues and Expenditures**

	<b>Adopted Budget 2012-13</b>	<b>Unaudited Estimated 2011-12<sup>1</sup></b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>	<b>2007-08</b>
<b>Revenues</b>						
Property taxes .....	\$38,824,459	\$38,127,227	\$37,233,490	\$36,529,867	\$36,412,114	\$34,338,609
Investment income .....	30,000	45,000	79,860	118,672	292,959	419,106
Intergovernmental <sup>2</sup> .....	11,697,441	12,065,563	13,912,509	13,731,950	15,758,147	24,366,793
Charges for services .....	591,702	545,540	570,830	532,384	504,245	787,864
Other revenues .....	<u>18,632</u>	<u>160,390</u>	<u>55,588</u>	<u>37,852</u>	<u>63,290</u>	<u>106,861</u>
Total revenues .....	51,162,234	50,943,720	51,852,277	50,950,725	53,030,755	60,019,233
<b>Expenditures</b>						
Administration .....	2,536,428	2,426,526	2,388,643	2,406,461	2,317,706	2,182,068
Planning and community development .....	359,502	357,959	357,485	353,395	370,967	430,956
Community services .....	859,381	865,553	887,316	858,544	877,199	851,561
Public works .....	4,523,829	4,632,008	4,565,955	4,485,343	4,766,504	4,413,376
Public safety .....	1,587,150	1,466,145	1,374,673	905,257	1,426,047	1,359,346
Finance and records .....	892,346	887,928	836,717	958,041	1,016,583	907,091
Education .....	35,702,228	34,666,821	35,744,919	35,747,088	36,943,631	44,228,236
Debt service .....	4,642,785	4,719,215	4,730,620	4,672,806	4,635,710	4,244,336
Capital improvement reserve fund .....	171,877	247,310	-	-	-	-
Contingency and other .....	<u>86,708</u>	<u>90,535</u>	<u>106,293</u>	<u>48,783</u>	<u>41,734</u>	<u>42,154</u>
Total expenditures .....	51,362,234	50,360,000	50,992,621	50,435,718	52,396,081	58,659,124
Excess of revenues over expenditures .....	(200,000)	583,720	859,656	515,007	634,674	1,360,109
<b>Other financing sources (uses)</b>						
Operating transfers in .....		-	43,003	114,053	250,000	-
Operating transfers out .....		<u>(471,407)</u>	<u>(387,819)</u>	<u>(273,150)</u>	<u>(603,826)</u>	<u>(712,309)</u>
Net other financing sources (uses) .....		(471,407)	(344,816)	(159,097)	(353,826)	(712,309)
Excess of revenues and other sources over expenditures and other uses .....		112,313	514,840	355,910	280,848	647,800
Fund balance, beginning .....		<u>7,811,267</u>	<u>7,296,427</u>	<u>6,940,517</u>	<u>6,659,669</u>	<u>6,011,869</u>
Fund balance, ending .....		\$7,923,580	\$7,811,267	\$7,296,427	\$6,940,517	\$6,659,669

<sup>1</sup> All numbers for 2011-12 are estimated and are configured on a budgetary basis; they do not reflect teachers' on-behalf payments in intergovernmental revenues nor education expenditures.

<sup>2</sup> Fiscal years 2008 through 2011 include teacher pension payments made on behalf of the State of Connecticut. In 2008, the State issued pension obligation bonds and made disproportionately larger payments than in previous years. The on-behalf payments are as follows:

2011 .....	\$ 2,713,864
2010 .....	2,626,935
2009 .....	2,526,422
2008 .....	11,937,851

## Intergovernmental Revenues as a Percent of General Fund Revenues

<b>Fiscal Year Ended June 30</b>	<b>Intergovernmental Revenues</b>	<b>General Fund Revenues</b>	<b>Percent</b>
2012 (unaudited) .....	\$12,065,563	\$50,943,720	23.7
2011 .....	13,912,509	51,852,277	26.8
2010 .....	13,731,950	50,950,725	27.0
2009 .....	15,758,147	53,030,755	29.7
2008 <sup>1</sup> .....	24,366,793	60,019,233	40.6
2007 .....	12,217,566	47,593,388	25.7
2006 .....	11,978,318	44,637,195	26.8

<sup>1</sup>Includes payments made by the State of Connecticut on behalf of the Town for teachers' pensions. The amount paid by the State for fiscal year 2008 was \$11,937,851, an increase of \$9,959,166 from the previous year.

### Assessment Practices

Under Section 12-62 of the Connecticut General Statutes, as amended, the Town must update all real estate values every five years and conduct a physical inspection of all real properties every ten years. The Town completed its last general revaluation for October 1, 2009. A statistical revaluation will be required for the assessment year commencing October 1, 2014.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the annual grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. For the list of October 1, 2011, Tolland's net taxable grand list amounted to \$1,293,289,310. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation. Each year the Town's Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permits issued by the Building Inspector. Upon issuance of a certification of completion, a physical inspection is conducted and the structure is given a new fair market value determined with the aid of a schedule developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, machinery, supplies, and leased equipment) is revalued annually. Random audits are conducted by the assessor periodically. Assessments for both personal property and motor vehicles are computed at 70% of the current fair market value.

Motor vehicle registration lists are furnished to the Town by the State of Connecticut Department of Motor Vehicles (the "DMV"). The Office of Policy and Management has recommended that the average retail values contained in the National Automobile Dealers Association pricing guides be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions is then applied to qualifying applicants. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the DMV after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 grand list. If such registration occurs subsequent to November 1 but prior to the following August 1, the tax is prorated, and the proration is based on the period of time from the date of registration until the following October 1. Motor vehicles purchased in August and September are not taxed until the next October 1 grand list.

### Annual Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes (Sec. 7-391 through 7-397), is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State Office of Policy and Management,

which also receives a copy of the audit report. For the fiscal year ended June 30, 2011, the financial statements of the various funds of the Town were audited by Blum, Shapiro & Company, P.C., West Hartford, Connecticut. The annual audits are conducted in compliance with Chapter 111 and contain the financial statements of the Town and the auditor's opinion thereon, in addition to specific comments and recommendations.

### **Tax Levy and Collection**

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real and personal property taxes are billed in the following July and are payable in two installments on July 1 and January 1, except that motor vehicle taxes and real and personal property taxes \$100 or less are payable in one installment on July 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Each year delinquent motor vehicle, real estate and personal property tax accounts that are deemed uncollectible are transferred to a suspense account at which time they cease to be carried as receivables. Tax accounts are transferred to a suspense account no later than 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectible.

### **Pension Plans**

The Town is the administrator of a single employer, defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full-time Town employees who work at least 25 hours per week, and all Board of Education employees who work 1,000 hours or more per year, are covered by and required, as a condition of employment, to participate in the Plan, except elected officials and certified teachers. Eligible employees must be at least 18 years of age on or prior to their employment date, and benefits vest at 100% after five years. Any non-vested Town contributions and related interest thereon of employees who leave employment are reserved in a forfeiture account to offset future Town contributions. Normal retirement date is age 65. Plan provisions and the authority to amend the provisions are established by Town ordinance.

The Town and Tolland Board of Education employees must contribute 2½% of their earnings for the plan year. The total Town contribution during the year ended June 30, 2011 was \$231,576 and represented 6% of covered payroll. The employees' mandatory contributions were \$96,490 and represented 2½% of covered payroll. See Appendix A - "Auditor's Section, Notes to the Financial Statements, Note 5" for more information.

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state. The Town is not required to and does not contribute to this plan.

### **Other Post-Employment Benefits**

The Town provides post-employment benefits for retirees who meet certain requirements regarding age and years of service and is in the process of complying with the requirements of Governmental Accounting

Standards Board ("GASB") Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their Other Post-employment Benefits ("OPEB") plans and include information concerning the valuation of such plans in their financial statements. The Town complied with the reporting requirements of GASB 45 beginning with the 2009 fiscal year. The Town retained Milliman Consulting to review its original valuation of its OPEB liability of \$7,269,078, and Milliman recommended and the Town began a phased-in approach to satisfy this liability. An Employer Investment Program ("EIP") Integral Part Trust was established by the Town and an initial contribution of \$119,434 was deposited in September 2008.

For fiscal year ending June 30, 2012, the Town made a contribution of \$491,000 and used \$28,594 in net OPEB obligation excess to cover estimated direct payments for the retiree benefits of \$519,594. The latest estimate of the actuarial accrued liability for fiscal year ending June 30, 2012 is \$5,399,000. Over and above the direct payment to retirees of \$163,140, the Town is not required to make an additional payment to the OPEB trust fund in fiscal year ending June 30, 2012.

### **Investment Policy**

The Town invests its public funds in accordance with Connecticut General Statutes Section 7-402. Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out-of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Town follows an investment policy that was adopted by the Town Council on June 26, 2007. The Town's investment policy authorizes investment in the State Treasurer's Short Term Investment Fund and MBIA Class Plus Investment. Regulatory oversight for the State Treasurer's Short Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer's Cash Management Board. Regulatory oversight for MBIA Class Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in derivative securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

### **Risk Management**

The Town is exposed to various risks of loss related to public officials and police liability; Board of Education liability; torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Town purchases commercial insurance for all risks of loss. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

### **Financial Policies, Procedures and Guidelines**

On June 26, 2007, the Town Council approved the Town's Financial Policies, Procedures and Guidelines (the "Policy"). The Policy is to be reviewed on a regular basis at a minimum of every three years by the Town Administration and the Town Council and was most recently revised and approved on January 25, 2011. The content of the Policy addresses matters pertaining to investment, debt management, capital financing, reserve/fund balance, multi-year financial forecasting, and capital assets. The Reserve/Fund Balance Policy states that any year-end surpluses will revert to unappropriated fund balance for use in maintaining reserve levels set by policy. The Town strives to maintain a total fund balance level of 8% to 17% of the General Fund operating budget.

## SECTION VI - ADDITIONAL INFORMATION

### Litigation

Following consultation with the Town Attorney and other attorneys providing legal services to the Town, Town officials advise that the Town, its officers, employees, boards and commissions are named defendants in a number of lawsuits. There are personal injury and life insurance claims against the Town which are being defended by counsel hired and paid for by the Town's insurance carrier. There are also municipal property tax appeals which have been filed against the Town. With regard to these and the other pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

### Continuing Disclosure

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds substantially in the form of Appendix D to this Official Statement (the "Continuing Disclosure Agreement for Bonds") to provide or cause to be provided, in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12, (i) annual financial information and operating data, (ii) timely, but not more than ten (10) business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management, within six months of the end of its fiscal year. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the Annual Financial Report, Recommended and Adopted Budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town has not defaulted in any of its obligations under any Continuing Disclosure Agreement for the benefit of holders of its debt obligations to provide annual information or event notices pursuant to SEC Rule 15c2-12.

### Documents to Be Furnished at Closing

The Underwriter will be furnished, subject to delivery of reoffering yield information as requested, the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Town Manager and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bond purchase contract was executed and at the time of the delivery of the Bonds, 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 opinions of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford, Middletown and New Haven, Connecticut.

5. An executed Continuing Disclosure Agreement substantially in the form attached hereto as Appendix D.
6. Within seven business days after the award, the Town will furnish the Underwriter of the Bonds a reasonable number of copies of the Official Statement as prepared by the Town. Additional copies may be obtained by the Underwriter at its own expense by arrangement with the printer.
7. Any other documents required by the bond purchase contract.

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

### **Concluding Statement**

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

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

TOWN OF TOLLAND, CONNECTICUT

By /s/ Steven R. Werbner  
Steven R. Werbner  
*Town Manager*

By /s/ Agata Herasimowicz  
Agata Herasimowicz  
*Treasurer*

Dated as of August 15, 2012

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**APPENDIX A - AUDITED FINANCIAL STATEMENTS**

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Accounting | Tax | Business Consulting

## Independent Auditors' Report

To the Town Council  
Town of Tolland, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Tolland, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town of Tolland, Connecticut's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Tolland, Connecticut, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011 on our consideration of the Town of Tolland, Connecticut's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tolland, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

*Blum, Shapiro & Company, P.C.*

December 1, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011**

As management of the Town of Tolland, we offer readers of the Town of Tolland's financial statements this narrative overview and analysis of the financial activities of the Town of Tolland for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the introductory section of this report, as well as the Town's basic financial statements.

### **Financial Highlights**

- On a government-wide basis, the assets of the Town of Tolland exceeded its liabilities at the close of the most recent year by \$108,039,817 (net assets). Of this amount, \$17,191,550 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- On a government-wide basis, the government's total net assets increased by \$1,402,980. This increase is attributable to an increase in current assets due to the timing of expenses and revenues.
- The total cost of all Town services for the fiscal year 2011 was \$58,706,215; of which \$57,870,181 was for governmental services and \$836,034 for business-type activities.
- At the close of the current fiscal year, the Town of Tolland's governmental funds reported combined ending fund balances of \$16,847,893. The combined fund balances increased by \$5,354,316 over the fund balance for 2009/2010. The increase in fund balance of \$514,840 in the general fund was attributable to greater than anticipated revenues, specifically property taxes and lower expenses. CDBG Small Cities remained a major fund due to a new housing rehabilitation grant which kept revenues and expenditures around \$200,000. The Sewer Reserve's fund balance decreased \$561,793 due to the difference in timing of the expenses associated with the Route 195 Sewer Line Extension project and the bonding which did not take place until the following year. The bonded capital projects fund balance increased \$2,276,411 as a result of the \$2,525,000 bond issue which provided the final funding for the new high school and for open space purchases, which had been expended in prior years. Capital non-recurring funds had an increase in fund balance from the proceeds of a 15-year capital lease in the amount of \$3,600,000, which preceded the expenditures for the project. Non-major funds were stable except for the Library Foundation, which benefitted from gains on investments and interest earnings of over \$100,000 thus increasing the fund balance in that amount and the Hicks Memorial School fund whose earnings were \$83,000 from similar gains and interest earnings. The Dog Fund finally had revenues in excess of expenditures to increase the fund balance from a negative to a positive \$1,867. The Lodge Fund had a capital expenditure of \$35,000 with no offsetting revenue, which reduced its fund balance by \$27,731.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,209,332 or 13% of general fund expenditures and transfers out. The State of Connecticut's contribution to the teacher's retirement fund in 2010/2011 was \$2,713,864 and is included in both revenues and expenditures.
- Long-term debt was issued on July 28, 2010 in the amount of \$2,525,000 to replace maturing bond anticipation notes of \$1,350,000 and to add \$350,000 for the high school expenditures and \$825,000 for open space expenditures. The Town also entered into a \$3,600,000 15-year QECB lease in June 2011 to finance the installation of a Geothermal heating system at the Town Hall.

## Overview of the Financial Statements

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Tolland's finances, in a manner similar to a private-sector business. All of the resources available to the Town are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide long-term and short-term information about the Town's overall financial status.

The *statement of net assets* presents information on all of the Town of Tolland's assets and liabilities, with the difference reported as *net assets*. One can think of the Town's net assets, the difference between assets and liabilities, as one way to measure the Town's financial health and financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Tolland is improving or deteriorating. It addresses the question of whether or not the Town is better or worse off as a result of this year's activities.

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

Both of the government-wide financial statements distinguish functions of the Town of Tolland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Tolland encompass most of the Town's basic services and include administration, planning and community development, community services, public works, public safety services, records and financial services and education. The business-type activities of the Town of Tolland are water and sewer operations. They are reported here because the Town charges a fee for providing water and sewer services to its customers, which are intended to cover the operating costs, including depreciation.

The government-wide financial statements include only the Town of Tolland (known as the primary government), but no longer include a legally separate component unit, the Tolland Nonprofit Housing Corporation, for which the Town of Tolland is financially responsible. Due to a change in status, the component unit has been blended into the non-major governmental funds.

The government-wide financial statements can be found on Exhibits I and II of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Tolland, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Tolland can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of

spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Tolland maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Sewer Reserve, CDBG Small Cities, Bonded Capital Projects and Capital Nonrecurring funds, which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation under the caption "other governmental funds." Nonmajor governmental funds include the Dog, Open Space Maintenance, Stone Pond Sewer Escrow, Tolland Townhouse Sewer Escrow, Lodge Activity, Open Space, Tolland Business Park, Town Aid Road, Recreation, Water Assessment, School Lunch, State and Federal Education Grants, Before/After School Program, Rent Escrow, Eviction Fund, Cemetery Operations, Minnie Hicks, Training Center, Conservation Green Grant, Traffic Grant, Justice Assistance Grant, DWSRF Water, Tolland Library Foundation, Nonprofit Housing Unit, Field Maintenance, Cemetery Perpetual Care and Ratcliff Hicks Memorial School funds. Individual fund data for each of these nonmajor governmental funds is provided in the *form of combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on Exhibits III-V of this report.

**Proprietary funds.** The Town of Tolland maintains two proprietary funds. The *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Tolland uses enterprise funds to account for its Water and Sewer operations. The Sewer Fund was converted from a Special Revenue Fund to recognize the expansion of the Town's sewer operations in the 2007/2008 CAFR.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water operations which is considered to be a major fund of the Town of Tolland.

The basic proprietary fund financial statements can be found on Exhibits VI-VIII of this report.

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

The basic fiduciary fund financial statements can be found on Exhibits IX-X of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 25 of this report.

The combining statements and supplemental schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found beginning on page 50 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a Town’s financial position and an important determinant of its ability to finance services in the future. Town of Tolland’s total assets exceeded liabilities by \$108,039,817 at the close of the most recent fiscal year.

By far, the largest portion of the Town of Tolland’s net assets (\$90,535,204) (84%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, water systems and infrastructure) less related outstanding debt used to acquire those assets. The Town of Tolland uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Tolland’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF TOLLAND NET ASSETS  
JUNE 30, 2011 AND 2010**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Current assets	\$ 24,177,421	\$ 16,832,396	\$ 317,378	\$ 322,598	\$ 24,494,799	\$ 17,154,994
Capital assets	120,637,221	122,917,824	10,069,400	9,294,194	130,706,621	132,212,018
Noncurrent assets	504,797	2,450,614			504,797	2,450,614
Total assets	<u>145,319,439</u>	<u>142,200,834</u>	<u>10,386,778</u>	<u>9,616,792</u>	<u>155,706,217</u>	<u>151,817,626</u>
Current liabilities	6,482,443	6,871,243	69,700	67,644	6,552,143	6,938,887
Noncurrent liabilities	41,114,257	38,241,902			41,114,257	38,241,902
Total liabilities	<u>47,596,700</u>	<u>45,113,145</u>	<u>69,700</u>	<u>67,644</u>	<u>47,666,400</u>	<u>45,180,789</u>
Invested in capital assets, net of related debt	80,465,804	81,360,747	10,069,400	9,294,194	90,535,204	90,654,941
Restricted	313,063	313,063			313,063	313,063
Unrestricted	<u>16,943,872</u>	<u>15,413,879</u>	<u>247,678</u>	<u>254,954</u>	<u>17,191,550</u>	<u>15,668,833</u>
Total Net Assets	<u>\$ 97,722,739</u>	<u>\$ 97,087,689</u>	<u>\$ 10,317,078</u>	<u>\$ 9,549,148</u>	<u>\$ 108,039,817</u>	<u>\$ 106,636,837</u>

An additional portion of the Town of Tolland’s total net assets, .03% or \$313,063, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17,191,550 is *unrestricted net assets* and may be used to meet the Town’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Tolland is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

There was no change in restricted net assets from the previous year.

The Town's total net assets increased \$1,402,980 during the current fiscal year due to the activity of the governmental funds with revenues outpacing expenses primarily due to bond proceeds of \$2,525,000. Governmental activities increased the Town of Tolland's net assets by \$635,050 and business-type activities added \$767,930.

**TOWN OF TOLLAND CHANGES IN NET ASSETS  
JUNE 30, 2011 AND 2010**

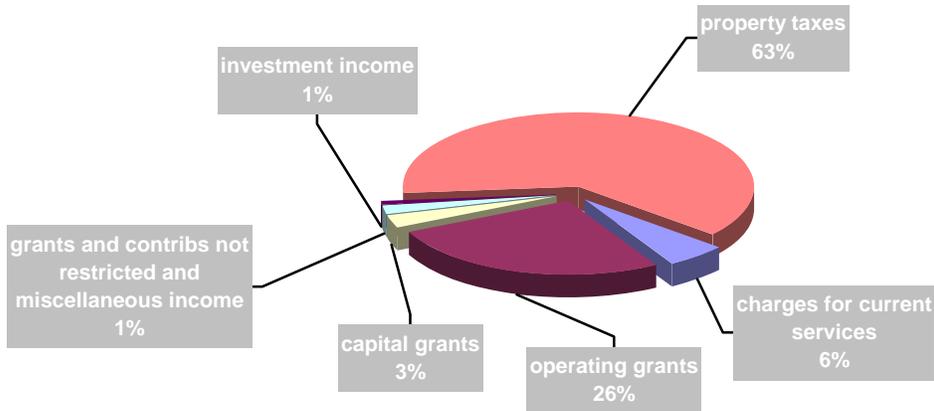
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,357,372	\$ 2,349,228	\$ 493,871	\$ 426,737	\$ 3,851,243	\$ 2,775,965
Operating grants and contributions	15,742,394	15,676,752			15,742,394	15,676,752
Capital grants and contributions	1,589,041	1,182,048		159,047	1,589,041	1,341,095
General revenues:						
Property taxes	37,290,129	36,569,603			37,290,129	36,569,603
Grants and contributions not restricted to specific programs	771,764	574,468			771,764	574,468
Investment income	448,225	398,723	819	3,064	449,044	401,787
Miscellaneous	405,717	641,127	9,863	4,903	415,580	646,030
Total revenues	<u>59,604,642</u>	<u>57,391,949</u>	<u>504,553</u>	<u>593,751</u>	<u>60,109,195</u>	<u>57,985,700</u>
Expenses:						
Administration	1,152,320	1,197,703			1,152,320	1,197,703
Planning and community development	459,598	437,811			459,598	437,811
Community services	1,756,255	2,241,062			1,756,255	2,241,062
Public works	7,843,996	7,327,481			7,843,996	7,327,481
Public safety services	1,967,888	1,476,762			1,967,888	1,476,762
Records and financial services	1,038,972	1,163,683			1,038,972	1,163,683
Board of education	42,181,314	42,227,879			42,181,314	42,227,879
Interest expense	1,469,838	1,601,756			1,469,838	1,601,756
Sewer Fund			447,724	376,151	447,724	376,151
Water Fund			388,310	309,562	388,310	309,562
Total expenses	<u>57,870,181</u>	<u>57,674,137</u>	<u>836,034</u>	<u>685,713</u>	<u>58,706,215</u>	<u>58,359,850</u>
Excess (deficiency) before transfers	1,734,461	(282,188)	(331,481)	(91,962)	1,402,980	(374,150)
Transfers	<u>(1,099,411)</u>	<u>(103,483)</u>	<u>1,099,411</u>	<u>103,483</u>	<u>-</u>	<u>-</u>
Change in net assets	635,050	(385,671)	767,930	11,521	1,402,980	(374,150)
Net Assets - July 1	<u>97,087,689</u>	<u>97,473,360</u>	<u>9,549,148</u>	<u>9,537,627</u>	<u>106,636,837</u>	<u>107,010,987</u>
Net Assets - June 30	<u>\$ 97,722,739</u>	<u>\$ 97,087,689</u>	<u>\$ 10,317,078</u>	<u>\$ 9,549,148</u>	<u>\$ 108,039,817</u>	<u>\$ 106,636,837</u>

Major revenues contributing to the increase are:

- Property tax revenues for 2011 increased \$759,526 or 2.0% which resulted from a combination of several factors: Overall Grand List growth of 2.99%, with .75% attributable to new growth and 2.24% resulting from the revaluation, offset by a mill rate reduction of .34. Aggressive tax collection techniques contributed to revenues being received at 101.4% of budget.
- Intergovernmental revenue increased \$699,931 from 2010. Although both operating grants and capital grants increased, the change was attributable to the increase in donated roads, capital grants pertaining to the Route 195 sewer line project, geothermal project and underground tank project.

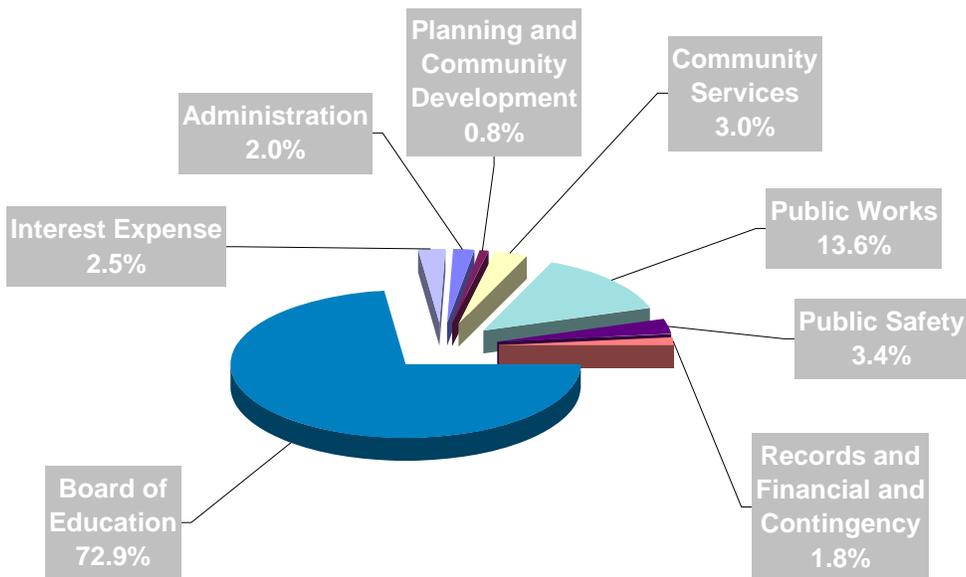
- Investment earnings increased from \$398,723 in 2010 to \$448,225 in 2011, in spite of depressed markets and declining interest rates, due to an increase in the endowment and, therefore, additional investment income.

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES**



The largest component of revenue which is from property taxes, had declined from 63.7% to 62.6% of total revenue in the current year. The shift in revenue was due to the large change in grants and contributions of \$669,931.

**EXPENDITURES BY SOURCE - GOVERNMENTAL ACTIVITIES**



For governmental activities, 72.9% of the Town's expenditures relate to education, 13.6% to public works, 3.4% to public safety, 3% to community services, 2.5% to interest payments on long-term debt, 2% to administration, 1.8% to records & financial services and contingency and 0.08% to planning and community development. The Board of Education expenditures decreased slightly due to a more normal level of State Teacher's Retirement funding.

Increases in expenses ranged from a low of 5% for Planning and Community Development to a high of 33% for Public Safety services. Increases in service expenditures resulted from growth in population and thus growth in demand by the taxpayers.

**Business-type activities.** Business-type activities increased the Town of Tolland's net assets by \$775,206. Key elements of this year's activities are as follows:

- The completion of the Route 195 sewer line extension which added \$860,759 to capital assets net of depreciation.
- Water Fund and Sewer Fund both experienced operating losses for a combined \$335,003. The non-operating revenues of Sewer Fund more than offset the losses in both funds resulting in a positive change in net assets of \$767,930 at year end.

#### **Financial Analysis of the Government's Funds:**

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

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

As of the end of the current fiscal year, the Town of Tolland's governmental funds reported combined ending fund balances of \$16,847,893, an increase of \$5,354,316 from the previous year. This increase resulted from a change in the fund balance of the bonded capital projects of \$2,276,411, and in the capital nonrecurring projects of \$2,976,162. In the bonded capital funds, the increase was due to the issuance of bonds of \$2,525,000 in the current fiscal year for expenditures that occurred in the prior year. The nonrecurring fund balance increased as a result of the proceeds from the \$3,600,000 capital lease where the revenues preceded the expenditures.

The general fund balance rose proportionally to the amount that revenues outpaced expenditures. The sewer reserve fund declined due to the expenditures associated with the Route 195 sewer line extension and the lack of related assessment revenues in the same fiscal year.

The overall amount of the **governmental fund** balances totals up to \$16,847,893, which consists of the assigned fund balance in the amount of \$1,601,935 for encumbrances and a reserve for the subsequent budget and restricted and committed fund balances in the amount of \$8,685,730. An additional amount of \$350,896 represents the nonspendable portion of fund balance and the unassigned portion of fund balance is \$6,209,332 or 37% of total fund balance.

**The general fund** is the chief operating fund of the Town of Tolland. At the end of the current fiscal year, unassigned, which was previously unreserved and undesignated, fund balance of the general fund was \$6,209,332, while total fund balance was \$7,811,267. 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, previously unreserved, fund balance represents 12% of total general fund expenditures including transfers out. Total fund balance represents 15.2% of that same amount. The unassigned portion of fund balance, when

compared with unreserved, undesignated portion for the general fund increased by \$324,716 during the current fiscal year while the total fund balance increased \$514,840. This increase resulted primarily from unanticipated revenue and careful scrutiny of expenditures.

Key factors contributing to the surplus in General Fund were:

- All revenues, except interest income, increased over the prior year and exceeded expenditures therefore creating a surplus. Tax revenue grew over the prior year by \$703,623 due to new growth in the Grand List of .75% coupled with growth associated with the revaluation of 2.24% offset slightly by a decrease in the mill rate of .34 mills. The outcome was augmented by a potential tax sale of select properties and property owners paying off much of the outstanding taxes as well as the associated interest and liens. Prior year taxes received were double the amount that was anticipated.
- Interest income continued to decline due to falling interest rates.
- Anticipation of possible revenue shortfalls prompted a cautious spending early on, thus producing a surplus as revenues exceeded expectations.

Although the Sewer Reserve Fund had an increase in its operating revenue, its operating expenditures increased more due to difference in timing of the expenses associated with the Route 195 Sewer Line Extension project and timing of the bonding, thereby creating a decrease in fund balance by \$561,793.

The CDBG Small Cities Fund qualified as a major fund again this year due to a new rehabilitation grant that produced expenditures of \$199,911 and grant revenues of \$190,195. There was a small increase in fund balance of \$17,559.

In the bonded capital project funds, revenues far exceeded expenditures, primarily due to proceeds from the July 28th bond issue for the high school project and open space land purchases. Fund balances increased by \$2,276,411. Expenditures for both projects had taken place in prior years.

Capital nonrecurring funds were most affected by the influx of \$3,600,000 from a capital lease to be used for the installation of a geothermal heating and cooling system in the Town Hall. Funding preceded expenditures which will not occur until the next fiscal year.

***Proprietary funds.*** The Town of Tolland's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the water fund amounted to \$3,099,677 and \$7,217,401 for the sewer fund at year-end. This represented a decrease of \$87,968 for water and an increase of \$855,898 for sewer. The decrease in water was representative of the depreciation for the year while the increase in sewer resulted from new assets being added to the system by a sewer line extension. Both funds experienced operating losses but the donations and capital contribution in sewer more than offset those losses.

### **General Fund Budgetary Highlights**

Comparing the difference between the original budget and the final amended budget reveals an overall decrease of \$1,298,362. A summary of some of the significant changes follows:

- Debt Services: An increase in Debt Service of \$107,700 was attributable to the appropriation of interest earnings on bond proceeds and a bond premium as well as designation of fund balance to pay the 2009 High School BANS which reduced general fund debt service.
- Board of Education: A net decrease of \$1,516,545 resulted from a reduction of \$1,535,349 in Education Cost Sharing funds which represented the funds received directly by the Board of

Education from the State offset by a \$16,622 appropriated for Medicare reimbursements and \$2,182 in FEMA monies for snow clean up.

- Public Works: An increase of \$67,663 overall was primarily attributable to an appropriation from FEMA for excessive snow removal costs.
- Community Services: The increase of \$30,275 in Community Services was the appropriation of a grant in the library for the purchase of computer equipment.
- Administration: An increase to Probate for \$2,482 for additional supplies associated with a change in the court judge and another small increase in Town Council for cameras in the council chambers made up the appropriation.

## Capital Asset and Debt Administration

### TOWN OF TOLLAND'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 13,670,299	\$ 13,094,620	\$ 50,858	\$ 50,858	\$ 13,721,157	\$ 13,145,478
Construction in progress	215,199	109,456		95,241	215,199	204,697
Buildings	77,680,820	79,886,737			77,680,820	79,886,737
Vehicles, furniture and equipment	4,871,413	5,086,675			4,871,413	5,086,675
Plant and pumping station			1,549,775	1,612,355	1,549,775	1,612,355
Water distribution system			8,468,767	7,535,740	8,468,767	7,535,740
Infrastructure	24,199,490	24,740,336			24,199,490	24,740,336
Total	\$ <u>120,637,221</u>	\$ <u>122,917,824</u>	\$ <u>10,069,400</u>	\$ <u>9,294,194</u>	\$ <u>130,706,621</u>	\$ <u>132,212,018</u>

**Capital assets.** The Town of Tolland's investment in capital assets for its combined governmental and business-type assets includes land, buildings and improvements, vehicles and equipment, roads, rights of way, water systems, dams, bridges and sewer lines. The total decrease in the Town of Tolland's investment in capital assets for the current fiscal year was \$1,505,579, or 1.1%, with a decrease of \$2,280,604 for governmental activities and an increase of \$775,206 for business-type activities.

No new major capital asset projects commenced during the current fiscal year for governmental activities. The commitment to purchase open space continued with land purchases totaling \$561,000. Business-type activities increased reflecting the extension of the sewer line on Route 195.

Additional information on the Town of Tolland's capital assets can be found in Note 3E on pages 38-39 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Tolland had total bonded debt outstanding of \$38,390,000, all of which is backed by the full faith and credit of the Town.

Of this debt, \$28,330,340 is school related and \$10,059,660 is general obligation. In addition, the Town has an outstanding obligation of \$636,504 to the Town of Vernon to participate proportionately in the repayment of bonds for the wastewater treatment plant upgrade and the East Main Street sewer project. Tolland is hooked into Vernon's treatment plant and is allotted a certain capacity each month in exchange for user fees.

The Town of Tolland's total debt decreased by a net amount of \$650,000, which was the result of the new issue of \$2,525,000 in general obligation bonds on July 28, 2010, less \$3,175,000 which was retired during the fiscal year. Bond anticipation notes were issued and still outstanding at June 30, 2011, in the amount of \$825,000 for the sewer reserve fund and will be repaid from assessment revenues.

The Town of Tolland was upgraded to an "AA+" rating from Fitch and an "AA positive" rating from Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2¼ to 4½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town of Tolland is \$260,405,124, which is significantly in excess of the Town of Tolland's outstanding general obligation debt.

Additional information on the Town of Tolland's long-term debt can be found in Note 3H on pages 41-44 of this report.

### **Economic Factors and Next Year's Budget and Rates**

Rapid residential growth and escalating real estate values accounted for a precipitous increase in the Town of Tolland's tax base in prior years. Current trends, however, show a significant slow down in the construction of residential homes due to declining market conditions and change in zoning regulations. The Town has also experienced an increase in commercial and industrial growth over the last few years in part because of Town initiatives to bring public sewer infrastructure to the Town's commercial zones. This is already evidenced by the construction of a 120,000 square-foot commercial development, including a Big Y supermarket, a branch of a local bank, medical offices and several retail stores. Commercial development over the next several years will be greatly influenced by the economic downturn; however, the Town has taken steps to properly position itself when market areas improve. In addition, a large sports complex is fully built at the Town's business park which is providing additional tax revenue as well as much needed amenities for the community.

A combination of increased costs for fixed items such as utilities, salaries, health benefits and other commodities along with no change in the percentage increase in State aid, particularly the Education Cost Sharing grant, had the biggest impact on the fiscal year 2011/2012 budget. The budget represents an increase of .58 mills or a 1.99% increase over the prior year. In order to achieve this budget level, cost cutting measures were employed such as changes to the town's employee health insurance plan and elimination of a vacant position to allow for the creation of a new position and several other new initiatives.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Tolland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance and Records, 21 Tolland Green, Tolland, CT 06084.

## TOWN OF TOLLAND, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 16,616,067	\$ 125,924	\$ 16,741,991
Investments	2,188,408		2,188,408
Property taxes receivable	541,545		541,545
Intergovernmental receivable	2,273,195		2,273,195
Accounts and other receivables	2,360,507	189,002	2,549,509
Internal balances	(2,452)	2,452	-
Other assets	37,833		37,833
Deferred charges	162,318		162,318
Restricted cash and investments	313,063		313,063
Other post employment benefit asset	191,734		191,734
Capital assets, nondepreciable	13,885,498	50,858	13,936,356
Capital assets, net of accumulated depreciation	106,751,723	10,018,542	116,770,265
	<u>145,319,439</u>	<u>10,386,778</u>	<u>155,706,217</u>
Total assets			
Liabilities:			
Accounts payable	198,625	69,700	268,325
Accrued liabilities	528,669		528,669
Accrued interest payable	371,887		371,887
Unearned revenue	1,071,776		1,071,776
Bond anticipation notes payable	825,000		825,000
Noncurrent liabilities, due within one year	3,486,486		3,486,486
Noncurrent liabilities, due in more than one year	41,114,257		41,114,257
	<u>47,596,700</u>	<u>69,700</u>	<u>47,666,400</u>
Total liabilities			
Net Assets:			
Invested in capital assets, net of related debt	80,465,804	10,069,400	90,535,204
Restricted for:			
Endowments - nonexpendable	20,800		20,800
Perpetual care - nonexpendable	292,263		292,263
Unrestricted	16,943,872	247,678	17,191,550
	<u>97,722,739</u>	<u>10,317,078</u>	<u>108,039,817</u>
Total Net Assets	<u>\$ 97,722,739</u>	<u>\$ 10,317,078</u>	<u>\$ 108,039,817</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TOLLAND, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Administration	\$ 1,152,320	\$	\$	\$	\$ (1,152,320)	\$	\$ (1,152,320)
Planning and community development	459,598	296,752		1,227,483	1,064,637		1,064,637
Community services	1,756,255	721,398			(1,034,857)		(1,034,857)
Public works	7,843,996	495,316			(7,348,680)		(7,348,680)
Public safety services	1,967,888	490,783			(1,477,105)		(1,477,105)
Record and financial services	1,038,972	117,532			(921,440)		(921,440)
Board of education	42,181,314	1,235,591	15,742,394	301,946	(24,901,383)		(24,901,383)
Interest expense	1,469,838			59,612	(1,410,226)		(1,410,226)
Total governmental activities	<u>57,870,181</u>	<u>3,357,372</u>	<u>15,742,394</u>	<u>1,589,041</u>	<u>(37,181,374)</u>	<u>-</u>	<u>(37,181,374)</u>
Business-Type Activities:							
Sewer Fund	447,724	225,340				(222,384)	(222,384)
Water Fund	388,310	268,531				(119,779)	(119,779)
Total business-type activities	<u>836,034</u>	<u>493,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342,163)</u>	<u>(342,163)</u>
Total Primary Government	<u>\$ 58,706,215</u>	<u>\$ 3,851,243</u>	<u>\$ 15,742,394</u>	<u>\$ 1,589,041</u>	<u>(37,181,374)</u>	<u>(342,163)</u>	<u>(37,523,537)</u>
General revenues:							
Property taxes					37,290,129		37,290,129
Grants and contributions not restricted to specific programs					771,764		771,764
Investment income					448,225	819	449,044
Miscellaneous					405,717	9,863	415,580
Transfers					(1,099,411)	1,099,411	-
Total general revenues and transfers					<u>37,816,424</u>	<u>1,110,093</u>	<u>38,926,517</u>
Change in net assets					635,050	767,930	1,402,980
Net Assets at Beginning of Year					<u>97,087,689</u>	<u>9,549,148</u>	<u>106,636,837</u>
Net Assets at End of Year					<u>\$ 97,722,739</u>	<u>\$ 10,317,078</u>	<u>\$ 108,039,817</u>

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The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2011

	<u>General</u>	<u>Sewer Reserve</u>	<u>CDBG Small Cities</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 9,364,728	\$ 1,088,459	\$ 90,258	\$ 527,171	\$ 3,851,309	\$ 1,986,398	\$ 16,908,323
Investments					1,004,612	1,204,596	2,209,208
Receivables	512,866	1,304,243	947,831	24,182	197,681	93,203	3,080,006
Due from other funds	234,401			814,794			1,049,195
Other						37,833	37,833
<b>Total Assets</b>	<b><u>\$ 10,111,995</u></b>	<b><u>\$ 2,392,702</u></b>	<b><u>\$ 1,038,089</u></b>	<b><u>\$ 1,366,147</u></b>	<b><u>\$ 5,053,602</u></b>	<b><u>\$ 3,322,030</u></b>	<b><u>\$ 23,284,565</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts and other payables	\$ 115,093	\$ 2,946	\$ 5,407	\$ 6,659	\$ 7,500	\$ 61,011	\$ 198,616
Accrued liabilities	525,407			965	1,345	952	528,669
Due to other funds	242,731				572,814	236,102	1,051,647
Deferred revenue	1,417,497	1,352,156	947,831		19,537	95,719	3,832,740
Bond anticipation notes payable		825,000					825,000
<b>Total liabilities</b>	<b><u>2,300,728</u></b>	<b><u>2,180,102</u></b>	<b><u>953,238</u></b>	<b><u>7,624</u></b>	<b><u>601,196</u></b>	<b><u>393,784</u></b>	<b><u>6,436,672</u></b>
Fund balances:							
Nonspendable						350,896	350,896
Restricted			84,851			264,177	349,028
Committed		212,600		1,358,523	4,452,406	2,313,173	8,336,702
Assigned	1,601,935						1,601,935
Unassigned	6,209,332						6,209,332
<b>Total fund balances</b>	<b><u>7,811,267</u></b>	<b><u>212,600</u></b>	<b><u>84,851</u></b>	<b><u>1,358,523</u></b>	<b><u>4,452,406</u></b>	<b><u>2,928,246</u></b>	<b><u>16,847,893</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 10,111,995</u></b>	<b><u>\$ 2,392,702</u></b>	<b><u>\$ 1,038,089</u></b>	<b><u>\$ 1,366,147</u></b>	<b><u>\$ 5,053,602</u></b>	<b><u>\$ 3,322,030</u></b>	<b><u>\$ 23,284,565</u></b>

(Continued on next page)

## TOWN OF TOLLAND, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011

## Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

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

Total fund balances (Exhibit III)	\$ 16,847,893
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 192,962,408	
Less accumulated depreciation	<u>(72,325,187)</u>	
		120,637,221

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

Property tax interest and lien accrual	82,774
Property tax, sewer use, water assessment and community development block grant receivable - accrual basis change	2,760,964
Other post employment benefit asset	191,734
School building grant receivable	2,019,915
Allowance for doubtful accounts on interest and liens	(7,450)
Bond issue costs	162,318

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and sewer notes payable	(39,026,504)
Compensated absences	(1,654,326)
Accrued interest payable	(371,887)
Capital lease	(3,668,014)
Bond premium	<u>(251,899)</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 97,722,739</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>General</u>	<u>Sewer Reserve</u>	<u>CDBG Small Cities</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
Property taxes	\$ 37,233,490	\$	\$	\$	\$	\$	\$ 37,233,490
Intergovernmental	13,912,509	200,000	190,195	1,804	520,241	3,088,156	17,912,905
Charges for services	570,830	369,579	27,016			1,600,967	2,568,392
Investment income	79,860	69,602	259	251	86,473	211,780	448,225
Other revenues	55,588	4,055		307,166	12,061	26,847	405,717
Total revenues	<u>51,852,277</u>	<u>643,236</u>	<u>217,470</u>	<u>309,221</u>	<u>618,775</u>	<u>4,927,750</u>	<u>58,568,729</u>
Expenditures:							
Current:							
Administration	2,388,643						2,388,643
Planning and community development	357,485						357,485
Community services	887,316		199,911			395,214	1,482,441
Public works	4,565,955					22,217	4,588,172
Public safety services	1,374,673					27,488	1,402,161
Record and financial services	836,717						836,717
Contingency and other	106,293						106,293
Board of Education	35,744,919					4,149,305	39,894,224
Capital outlay		1,047,779		923,466	1,387,530		3,358,775
Debt service	4,730,620	142,250					4,872,870
Total expenditures	<u>50,992,621</u>	<u>1,190,029</u>	<u>199,911</u>	<u>923,466</u>	<u>1,387,530</u>	<u>4,594,224</u>	<u>59,287,781</u>
Excess (Deficiency) of Revenues over Expenditures	<u>859,656</u>	<u>(546,793)</u>	<u>17,559</u>	<u>(614,245)</u>	<u>(768,755)</u>	<u>333,526</u>	<u>(719,052)</u>
Other Financing Sources (Uses):							
Capital lease					3,600,000		3,600,000
Bond issuance				2,525,000			2,525,000
Transfers in	43,003			428,044	406,177	7,696	884,920
Transfers out	(387,819)	(15,000)		(62,388)	(261,260)	(210,085)	(936,552)
Net other financing sources (uses)	<u>(344,816)</u>	<u>(15,000)</u>	<u>-</u>	<u>2,890,656</u>	<u>3,744,917</u>	<u>(202,389)</u>	<u>6,073,368</u>
Net Change in Fund Balances	514,840	(561,793)	17,559	2,276,411	2,976,162	131,137	5,354,316
Fund Balances at Beginning of Year	<u>7,296,427</u>	<u>774,393</u>	<u>67,292</u>	<u>(917,888)</u>	<u>1,476,244</u>	<u>2,797,109</u>	<u>11,493,577</u>
Fund Balances at End of Year	<u>\$ 7,811,267</u>	<u>\$ 212,600</u>	<u>\$ 84,851</u>	<u>\$ 1,358,523</u>	<u>\$ 4,452,406</u>	<u>\$ 2,928,246</u>	<u>\$ 16,847,893</u>

(Continued on next page)

## TOWN OF TOLLAND, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 5,354,316
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	1,636,835
Depreciation expense	(3,875,030)
Loss on disposal of capital assets	(42,408)

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

School building grant receipts	(301,946)
Increase in other post employment benefit asset	74,099
Decrease in property tax, sewer use, water assessment and community development block grant receivable - accrual basis change	579,496
Increase in property tax interest and lien revenue	3,296
Decrease in property tax, sewer use and community development block grant allowance for doubtful accounts	3,365

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Issuance of bond	(2,525,000)
Bond payments	3,175,000
Change in accrued interest	30,898
Amortization of bond premium and deferred bond issue costs	6,110
Note principal payments	125,490
Capital lease	(3,600,000)
Capital lease payments	65,534

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	<u>(75,005)</u>
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Change in Net Assets of Governmental Activities (Exhibit II)	<u><u>\$ 635,050</u></u>
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The accompanying notes are an integral part of the financial statements

## TOWN OF TOLLAND, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Property taxes	\$ 36,707,810	\$ 36,707,810	\$ 37,233,490	\$ 525,680
Intergovernmental	11,740,182	10,295,102	10,191,196	(103,906)
Charges for services	531,994	531,994	570,830	38,836
Investment income	130,000	144,588	79,860	(64,728)
Other revenues	10,200	52,075	55,588	3,513
Total revenues	<u>49,120,186</u>	<u>47,731,569</u>	<u>48,130,964</u>	<u>399,395</u>
Expenditures:				
Current:				
Administrative	2,529,545	2,427,209	2,415,718	11,491
Planning and community development	348,156	356,582	354,347	2,235
Community services	845,794	890,240	888,505	1,735
Public works	4,484,230	4,561,426	4,539,175	22,251
Public safety services	1,421,085	1,404,631	1,401,467	3,164
Record and financial services	865,877	888,714	883,346	5,368
Contingency and other	127,344	77,593	77,358	235
Board of Education	33,808,535	32,291,990	32,197,318	94,672
Debt service	4,622,920	4,730,620	4,730,620	-
Total expenditures	<u>49,053,486</u>	<u>47,629,005</u>	<u>47,487,854</u>	<u>141,151</u>
Excess of Revenues over Expenditures	<u>66,700</u>	<u>102,564</u>	<u>643,110</u>	<u>540,546</u>
Other Financing Sources (Uses):				
Cancellation of prior year encumbrances			21,163	21,163
Appropriation of fund balance	200,000	247,867		(247,867)
Transfers in		42,388	43,003	615
Transfers out	(266,700)	(392,819)	(392,819)	-
Net other financing uses	<u>(66,700)</u>	<u>(102,564)</u>	<u>(328,653)</u>	<u>(226,089)</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	314,457	<u>\$ 314,457</u>
Fund Balance at Beginning of Year			<u>6,119,875</u>	
Fund Balance at End of Year			<u>\$ 6,434,332</u>	

The accompanying notes are an integral part of the financial statements

## TOWN OF TOLLAND, CONNECTICUT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

JUNE 30, 2011

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 125,247	\$ 677	\$ 125,924
Accounts receivable	72,944	116,058	189,002
Due from other funds	21,386		21,386
Total current assets	<u>219,577</u>	<u>116,735</u>	<u>336,312</u>
Noncurrent assets:			
Capital assets, nondepreciable:			
Land	50,858		50,858
Capital assets, net of accumulated depreciation:			
Plant and pumping station	483,521	1,066,254	1,549,775
Distribution system	2,378,516	6,090,251	8,468,767
Total noncurrent assets	<u>2,912,895</u>	<u>7,156,505</u>	<u>10,069,400</u>
Total assets	<u>3,132,472</u>	<u>7,273,240</u>	<u>10,405,712</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	32,795	36,905	69,700
Due to other funds		18,934	18,934
Total current liabilities	<u>32,795</u>	<u>55,839</u>	<u>88,634</u>
<b>Net Assets:</b>			
Invested in capital assets	2,912,895	7,156,505	10,069,400
Unrestricted	<u>186,782</u>	<u>60,896</u>	<u>247,678</u>
Total Net Assets	<u>\$ 3,099,677</u>	<u>\$ 7,217,401</u>	<u>\$ 10,317,078</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF TOLLAND, CONNECTICUT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Operating Revenues:			
Charges for services	\$ 268,531	\$ 225,340	\$ 493,871
Operating Expenses:			
Professional services	100,435	52,421	152,856
Repairs and maintenance	85,694	12,376	98,070
Service fees	3,908	142,557	146,465
Materials and supplies	24,408	14,506	38,914
Utilities	72,143	26,254	98,397
Depreciation	94,562	199,610	294,172
Total operating expenses	<u>381,150</u>	<u>447,724</u>	<u>828,874</u>
Operating Loss	<u>(112,619)</u>	<u>(222,384)</u>	<u>(335,003)</u>
Nonoperating Revenue (Expense):			
Investment income	316	503	819
Loss on disposal	(7,160)		(7,160)
Net nonoperating revenue (expense)	<u>(6,844)</u>	<u>503</u>	<u>(6,341)</u>
Capital Contribution	<u>9,863</u>	<u>1,047,779</u>	<u>1,057,642</u>
Income (Loss) Before Transfers	(109,600)	825,898	716,298
Transfers In	<u>21,632</u>	<u>30,000</u>	<u>51,632</u>
Change in Net Assets	(87,968)	855,898	767,930
Net Assets at Beginning of Year	<u>3,187,645</u>	<u>6,361,503</u>	<u>9,549,148</u>
Net Assets at End of Year	<u>\$ 3,099,677</u>	<u>\$ 7,217,401</u>	<u>\$ 10,317,078</u>

The accompanying notes are an integral part of the financial statements

## TOWN OF TOLLAND, CONNECTICUT

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<b>Business-Type Activities</b>		
	<b>Enterprise Funds</b>		
	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 274,954	\$ 208,484	\$ 483,438
Payments to suppliers	(309,733)	(241,477)	(551,210)
Net cash used in operating activities	<u>(34,779)</u>	<u>(32,993)</u>	<u>(67,772)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers in	21,632	30,000	51,632
<b>Cash Flows from Investing Activities:</b>			
Loss on disposal	(7,160)		(7,160)
Investment income	316	503	819
Net Decrease in Cash	(19,991)	(2,490)	(22,481)
Cash at Beginning of Year	<u>145,238</u>	<u>3,167</u>	<u>148,405</u>
Cash at End of Year	<u>\$ 125,247</u>	<u>\$ 677</u>	<u>\$ 125,924</u>
<b>Reconciliation of Operating Loss to Net Cash</b>			
<b>Used in Operating Activities:</b>			
Operating loss	\$ (112,619)	\$ (222,384)	\$ (335,003)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation expense	94,562	199,610	294,172
Decrease (increase) in accounts receivable	5,565	(16,856)	(11,291)
Increase (decrease) in due to/from other funds	(21,386)	(15,412)	(36,798)
Increase (decrease) in accounts payable	(901)	22,049	21,148
Net Cash Used in Operating Activities	<u>\$ (34,779)</u>	<u>\$ (32,993)</u>	<u>\$ (67,772)</u>
<b>Noncash Financing and Investing Transactions:</b>			
Donations and capital contributions	9,863	1,047,779	1,057,642

The accompanying notes are an integral part of the financial statements

## TOWN OF TOLLAND, CONNECTICUT

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2011

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund Stevenson Scholarship</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$	\$ 25,064	\$ 472,901
Investments:			
Mutual funds	<u>363,879</u>		
Total assets	<u>363,879</u>	<u>25,064</u>	<u>472,901</u>
Liabilities:			
Accounts payable			<u>472,901</u>
Net Assets:			
Held in Trust for Other Purposes	<u>\$ 363,879</u>	<u>\$ 25,064</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**FIDUCIARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Fund Stevenson Scholarship</u>
Additions:		
Interest and dividends	\$	\$ 691
Contributions	559,000	
Net increase in the fair value of the investment	36,491	
Total additions	<u>595,491</u>	<u>691</u>
Deductions:		
Scholarships awarded		700
Benefits	461,000	
Total deductions	<u>461,000</u>	<u>700</u>
Change in Net Assets	134,491	(9)
Net Assets at Beginning of Year	<u>229,388</u>	<u>25,073</u>
Net Assets at End of Year	<u>\$ 363,879</u>	<u>\$ 25,064</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TOLLAND, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Tolland, Connecticut (the Town), originally part of the Town of Windsor, was chartered in 1715 and incorporated in 1722. The Town maintains a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), public works, education and social services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

**Blended Component Units**

The Tolland Nonprofit Housing Corporation (the Corporation) provides affordable housing in Tolland. The Corporation's Board of Directors is appointed by the Town Council. The Town Council also has the right to accept or reject, after approval by the Board of Directors, the annual budget of the Corporation. The governing body of the Corporation is substantially the same as the governing body of the Town; therefore the Corporation is included in the financial reporting entity as a blended component unit and is reported as a nonmajor special revenue fund, the Nonprofit Housing Unit Fund.

Financial statements for the component unit may be obtained at the Corporation's administrative office: Tolland Nonprofit Housing Corporation, 21 Tolland Green, Tolland, CT 06084.

The Tolland Public Library Foundation (the Foundation) works to develop specific programs funded by donated money. These programs advocate literacy, literature appreciation and various other endeavors. The Foundation is managed by a Board of Directors chosen by the Town Council and answerable to its approval. The Foundation is included in the financial reporting entity as a blended component unit and is reported as a nonmajor special revenue fund, the Tolland Library Foundation Fund.

Financial statements for the component unit may be obtained at the Foundation's administrative office: Tolland Public Library Foundation, 21 Tolland Green, Tolland, CT 06084.

## **B. Basis of Presentation**

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town's primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency Funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

The *Sewer Reserve Fund* accounts for the capital provided for sewer extensions, pumping stations, interceptors and other capital improvements. The Major source of revenue is derived from assessment fees and use charges.

The *CDBG Small Cities Fund* accounts for funds for rehabilitation loans to property owners. The Major source of revenue for this fund is intergovernmental revenues and program income.

The *Bonded Capital Projects Fund* accounts for revenues to be used for major capital asset construction and/or purchases funded by debt issuances.

The *Capital Nonrecurring Fund* accounts for revenues to be used for major capital asset construction and/or purchases funded substantially by grants and General Fund appropriations.

The Town reports the following major proprietary funds:

The *Water Fund* accounts for activities of the government's water operations.

The *Sewer Fund* accounts for the maintenance needs of the sewer system, as well as to receive and remit sewer usage fees to the Town of Vernon.

Additionally, the Town reports the following fund types:

The *Other Post Employment Benefit Trust Fund* is used to account for the activities for both Town and Board of Education for other post employment benefits (e.g. health insurance, life insurance) which accumulate resources for other post employment benefit payments to qualified employees.

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for student scholarships. None of the resources of the fund, including any earnings on invested resources, can be used to support the Town's activities. The fund has a nonexpendable portion.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Water and Sewer Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **Blended Component Units Basis of Accounting**

The Tolland Nonprofit Housing Corporation's financial statements and the Tolland Public Library Foundation Corporation's financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are generally recognized when the related fund liability is incurred.

## **C. Cash and Cash Equivalents**

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

## **D. Investments**

Investments are reported at fair value.

## **E. Receivables and Payables**

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

## **F. Restricted Assets**

The Cemetery Perpetual Care and Ratcliff Memorial School Funds are restricted to expenditure of the investment income only for the donor-designated purpose. Any appreciation of the funds is also restricted.

## **G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 for equipment, \$25,000 for improvements and \$50,000 for infrastructure, and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50-75
Building improvements	50
Land/rights of way	-
Construction in progress	-
Land improvements	20-30
Roads	30-50
Bridges	30-50
Sewer transmission lines	50
Meters and hydrants	50
Vehicles	5-30
Machinery and equipment	3-10
Fire equipment	20-25

#### **H. Compensated Absences**

Based on union contracts, certain Town and Board of Education employees may accumulate a certain amount of unused vacation and sick leave based upon length of employment. The amount recorded as a liability is based upon current salary levels. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **I. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

## **J. Equity**

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

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net asset restrictions are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Tolland Town Council).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by Town Council or other individual which has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town does not have a minimum fund balance policy.

## **K. Property Taxes**

Property taxes are assessed as of October 1 and billed the following July 1 and January 1. Interest at the rate of 1.5% per month accrues on all overdue taxes. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of appraised market value. A lien is placed on the property if real estate taxes are unpaid as of June 30 following the payable date.

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

## **L. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The Town adheres to the following procedures in establishing the budgetary data included in the financial statements of the General Fund, the only fund with a legally adopted annual budget. The budget is prepared by the Town Manager and submitted to the Town Council in March. In April, the Town Council submits the proposed Town budget for the year commencing July 1 to the public for comment. In May, the Town budget is presented at referendum for approval. After approval, the Town Council meets to set the mill rate. The operating budget includes proposed expenditures and the means of financing them.

- The Town Council is authorized to transfer any budgeted amounts between departments and to approve additional appropriations up to \$40,000 in the aggregate in any one year. All additional appropriations in excess of \$40,000 in the aggregate must be subject to a public hearing. During the year, the Town Council approved \$236,987 in additional appropriations. Of these appropriations, \$189,120 was from revised revenue estimates and \$47,867 was additional appropriations from fund balance. A reduction in appropriation of \$1,535,349 was also made to offset the grant revenue that went directly to the Board of Education. The net result was a budget reduction of \$1,298,362.
- Management is authorized to make budgetary transfers within departments but cannot approve additional appropriations.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level within a function.

- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Town Council approval.
- Encumbrances are recognized as valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Project Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

A reconciliation of the accounting treatment required by GAAP and budgetary requirements at June 30, 2011 is as follows:

	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
Balance, budgetary basis	\$ 48,195,130	\$ 47,880,673	\$ 6,434,332
Encumbrances outstanding at June 30, 2010, liquidated during the year ended June 30, 2011		1,040,597	
Encumbrances outstanding at June 30, 2010, canceled during the year ended June 30, 2011	(21,163)		
Encumbrances outstanding at June 30, 2011, charged to budgetary expenditures during the year ended June 30, 2011		(1,257,143)	1,257,143
Encumbrances outstanding at June 30, 2010, still outstanding at June 30, 2011			114,792
State of Connecticut grants for Special Education excess costs, netted for budgetary purposes	1,007,449	1,007,449	
GASB 54 Reclassification-300 Celebration Fund		(5,000)	5,000
State Teachers' Retirement on-behalf payment	<u>2,713,864</u>	<u>2,713,864</u>	
Balance, GAAP basis	<u>\$ 51,895,280</u>	<u>\$ 51,380,440</u>	<u>\$ 7,811,267</u>

### 3. DETAILED NOTES ON ALL FUNDS

#### A. Cash, Cash Equivalents, and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**Deposits**

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$7,781,363 of the Town’s bank balance of \$17,235,620 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,803,227
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>978,136</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 7,781,363</u>

## Cash Equivalents

At June 30, 2011, the Town's cash equivalents amounted to \$931,188. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF)	AAAm	
Cutwater Asset Management Connecticut CLASS		AAAm

## Investments

As of June 30, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Fixed Income Funds	N/A	\$ 684,753	\$ 684,753	\$	\$
US Gvt Oblig., Nat'l Mtge Pool	N/A	2,104	2,104		
Corporate Bonds	A1	31,842		31,842	
Corporate Bonds	A2	76,890		76,890	
Corporate Bonds	A3	24,976			24,976
Corporate Bonds	B1	20,300		20,300	
Total		840,865	<u>\$ 686,857</u>	<u>\$ 129,032</u>	<u>\$ 24,976</u>
Other investments:					
Mutual Funds		1,276,469			
Equities		<u>455,753</u>			
Total Investments		<u>\$ 2,573,087</u>			

**Investment Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk. The Town does not hold any uninsured or unregistered securities at June 30, 2011.

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

**Concentration of Credit Risk** - The Town places no limit on the amount invested in any one issuer. No more than 5% of the Town's investments were invested in any one issuer in which credit risk was applicable.

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

The Town’s investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer’s Short-Term Investment Fund (STIF) and MBIA Class Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer’s Short-Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer’s Cash Management Board. Regulatory oversight for MBIA Class Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in “derivative” securities; certificates of deposit; repurchase agreements; and obligations of the United States and agencies of the federal government.

### B. Endowments Received

	<b>Cemetery Perpetual Care Fund</b>	<b>Ratcliff Hicks Memorial School Fund</b>	<b>Total</b>
Original principal received	\$ 292,263	\$ 20,800	\$ 313,063
Net appreciation on investments	<u>1,365</u>	<u>564,408</u>	<u>565,773</u>
Total Value	<u>\$ 293,628</u>	<u>\$ 585,208</u>	<u>\$ 878,836</u>

The original principal received remains in the net assets and is restricted for the trust principal. The net appreciation on investments is included in unrestricted net assets and is spent based on the original criteria established by the trust. The Town’s policy is to spend only investment income for the purposes of the trust.

### C. Receivables

Receivables as of year end for the Town’s individual major funds and nonmajor and fiduciary funds in the aggregate are as follows:

	<b>General</b>	<b>Sewer Reserve</b>	<b>Bonded Capital Projects</b>	<b>Capital Non- recurring</b>	<b>CDBG Small Cities</b>	<b>Nonmajor and Other Funds</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Receivables:									
Taxes	\$ 470,736								\$ 470,736
Accounts and other	36,623	1,304,243	14,436	12,061	947,831	25,084	72,944	116,058	2,529,280
Intergovernmental	<u>10,024</u>		<u>9,746</u>	<u>185,620</u>	<u>947,831</u>	<u>68,119</u>			<u>273,509</u>
Gross receivables	517,383	1,304,243	24,182	197,681	947,831	93,203	72,944	116,058	3,273,525
Less: Allowance for collection losses	<u>4,517</u>								<u>4,517</u>
Net Total Receivables	<u>\$ 512,866</u>	<u>\$ 1,304,243</u>	<u>\$ 24,182</u>	<u>\$ 197,681</u>	<u>\$ 947,831</u>	<u>\$ 93,203</u>	<u>\$ 72,944</u>	<u>\$ 116,058</u>	<u>\$ 3,269,008</u>

## D. Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable	\$ 426,287	\$
Property taxes collected in advance		991,210
Capital Nonrecurring:		
LOCIP funds	19,537	
Sewer Reserve:		
Assessment receivable	1,304,242	
Bond premium		6,301
Sewer reserve advance collections		41,613
CDBG Small Cities:		
Loan receivable	947,831	
Nonmajor Governmental Funds:		
Loan receivable	25,955	
Program fees	3,244	32,652
Cemetery operations	12,225	
Education grants	15,918	
Permanent Funds:		
Cemetery Perpetual Care	<u>5,725</u>	
Total Deferred Revenue for Governmental Funds	\$ <u>2,760,964</u>	\$ <u>1,071,776</u>

## E. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,712,353	\$ 561,664	\$	\$ 13,274,017
Rights of way	382,267	14,015		396,282
Construction in progress	109,456	151,216	45,473	215,199
Total capital assets not being depreciated	<u>13,204,076</u>	<u>726,895</u>	<u>45,473</u>	<u>13,885,498</u>
Capital assets being depreciated:				
Buildings and improvements	120,640,574	53,933	24,770	120,669,737
Vehicles, furniture and equipment	9,930,180	423,255	132,443	10,220,992
Infrastructure	47,707,956	478,225		48,186,181
Total capital assets being depreciated	<u>178,278,710</u>	<u>955,413</u>	<u>157,213</u>	<u>179,076,910</u>
Less accumulated depreciation for:				
Buildings and improvements	40,753,837	2,244,203	9,123	42,988,917
Vehicles, furniture and equipment	4,843,505	611,756	105,682	5,349,579
Infrastructure	22,967,620	1,019,071		23,986,691
Total accumulated depreciation	<u>68,564,962</u>	<u>3,875,030</u>	<u>114,805</u>	<u>72,325,187</u>
Total capital assets being depreciated, net	<u>109,713,748</u>	<u>(2,919,617)</u>	<u>42,408</u>	<u>106,751,723</u>
Governmental Activities Capital Assets, Net	<u>\$ 122,917,824</u>	<u>\$ (2,192,722)</u>	<u>\$ 87,881</u>	<u>\$ 120,637,221</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 50,858	\$	\$	\$ 50,858
Construction in progress	95,241		95,241	-
Total capital assets not being depreciated	<u>146,099</u>	<u>-</u>	<u>95,241</u>	<u>50,858</u>
Capital assets being depreciated:				
Plant and pumping stations	2,440,113	12,590		2,452,703
Water distribution system	9,526,192	1,159,189	9,562	10,675,819
Total capital assets being depreciated	<u>11,966,305</u>	<u>1,171,779</u>	<u>9,562</u>	<u>13,128,522</u>
Less accumulated depreciation for:				
Plant and pumping stations	827,758	75,170		902,928
Water distribution system	1,990,452	219,002	2,402	2,207,052
Total accumulated depreciation	<u>2,818,210</u>	<u>294,172</u>	<u>2,402</u>	<u>3,109,980</u>
Total capital assets being depreciated, net	<u>9,148,095</u>	<u>877,607</u>	<u>7,160</u>	<u>10,018,542</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,294,194</u>	<u>\$ 877,607</u>	<u>\$ 102,401</u>	<u>\$ 10,069,400</u>

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

Governmental activities:	
Administration	\$ 30,597
Planning and community development	25,968
Community services	57,617
Public works	1,186,803
Public safety services	291,200
Record and financial services	18,281
Board of education	<u>2,264,564</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>3,875,030</u></u>
Business-type activities:	
Water	\$ 94,562
Sewer	<u>199,610</u>
 Total Depreciation Expense - Business Type Activities	 \$ <u><u>294,172</u></u>

### Construction Commitments

The Town has active construction projects as of June 30, 2011. The projects include new construction. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Roof Top HVAC Replacement at T.I.S	\$ 5,518	\$ 81,670
Replacement Asbestos Floor at T.M.S		365,400
Refurbish 1990 Pierce ladder truck	15,715	186,435
School Accounting software	3,526	5,775
Geothermal Heating System at Hicks Municipal Building	2,655	86,300
Construction of Sewer System	1,036,319	103,460
Elevator replacement at T.I.S.	<u>6,000</u>	<u>173,050</u>
	\$ <u><u>1,069,733</u></u>	\$ <u><u>1,002,090</u></u>

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

## F. Interfund Receivables, Payables and Transfers

Interfund loans were generally used to transfer monies as a result of issuing bonds. The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 214,716
	Capital Nonrecurring	751
	Sewer Fund	18,934
		<u>234,401</u>
Bonded Capital Projects	Capital Nonrecurring	572,063
	General Fund	242,731
		<u>814,794</u>
Sewer Fund	Nonmajor Governmental Funds	<u>21,386</u>
Total		\$ <u>1,070,581</u>

All balances are expected to be repaid within a year.

Interfund transfers are generally used to supplement revenues of other funds. The transfers that occurred during the year are as follows:

	<u>General Fund</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Reserve Fund</u>	<u>Total Transfers In</u>
Transfers:						
General Fund	\$	\$ 42,388	\$	\$ 615	\$	\$ 43,003
Bonded Capital Projects	367,961	20,000		40,083		428,044
Capital Nonrecurring			261,260	144,917		406,177
Nonmajor Governmental Funds	4,858			2,838		7,696
Sewer Fund	15,000				15,000	30,000
Water Fund				21,632		21,632
Total Transfers Out	\$ <u>387,819</u>	\$ <u>62,388</u>	\$ <u>261,260</u>	\$ <u>210,085</u>	\$ <u>15,000</u>	\$ <u>936,552</u>

## G. Short-Term Obligations - Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Bond anticipation note transactions for the year ended June 30, 2011 were as follows:

Outstanding, July 1, 2010	\$ 1,350,000
New borrowings	825,000
Repayments	<u>1,350,000</u>
Outstanding, June 30, 2011	\$ <u>825,000</u>

The bond anticipation notes bearing a net interest cost of 1.5% were issued on August 10, 2010 and mature on August 9, 2011.

## H. Long-Term Debt

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 39,040,000	\$ 2,525,000	\$ 3,175,000	\$ 38,390,000	\$ 3,180,000
Plus deferred amounts:					
Issuance premium	271,535		19,636	251,899	
Total bonds payable	<u>39,311,535</u>	<u>2,525,000</u>	<u>3,194,636</u>	<u>38,641,899</u>	<u>3,180,000</u>
Sewer notes	761,994		125,490	636,504	127,371
Capital lease	133,548	3,600,000	65,534	3,668,014	68,012
Compensated absences	<u>1,579,321</u>	<u>160,320</u>	<u>85,315</u>	<u>1,654,326</u>	<u>111,103</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 41,786,398</u>	<u>\$ 6,285,320</u>	<u>\$ 3,470,975</u>	<u>\$ 44,600,743</u>	<u>\$ 3,486,486</u>

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

### General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, the Town issued \$2,525,000 of general obligation bonds. These bonds mature on August 1, 2030 and bear interest from 2% to 4%.

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

### Sewer Notes

The Town entered into an agreement with the Town of Vernon, Connecticut (Vernon) for sewer construction along East Main Street. The Town will pay Vernon for its share of principal and interest payments on the sewer bonds issued by Vernon to fund this project. The bonds mature in 2013 and bear interest of 5-6.75%.

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

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

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Annual Principal</u>	<u>Balance Outstanding June 30, 2010</u>
General purpose:						
General obligation	6/1/02	6/1/12	3.25-5	\$ 2,151,000	Various	\$ 214,960
General obligation	12/1/03	12/1/24	2.375-4.375	3,660,000	Various	1,213,408
General obligation	12/1/04	12/1/24	3.5-4.25	3,260,000	Various	2,281,600
General obligation	9/1/05	9/1/25	4-4.25	445,000	Various	347,200
General obligation	9/15/06	6/30/26	4-4.25	1,965,000	Various	1,618,892
General obligation	9/1/07	9/1/21	3.9-5	1,872,200	Various	1,733,600
General obligation	9/1/08	9/1/18	3.0-4.0	2,010,000	Various	1,825,000
General obligation	8/1/10	8/1/30	2.0-4.0	825,000	Various	825,000
Total general purpose				<u>16,188,200</u>		<u>10,059,660</u>
School:						
School improvement	6/1/02	6/1/12	3.25-5	1,849,000	Various	185,040
School improvement	12/1/03	12/1/24	2.375-4.375	3,685,000	Various	1,281,592
School improvement	12/1/04	12/1/24	3.5-4.25	6,740,000	Various	4,848,400
School improvement	9/1/05	9/1/25	4-4.25	11,000,000	Various	8,332,800
School improvement - refunding	9/1/05	9/1/17	4-4.25	6,215,000	Various	3,880,000
School improvement	9/15/06	8/15/26	4-4.25	7,050,000	Various	5,896,108
School improvement	9/1/07	9/1/27	3.9-5	2,382,800	Various	2,206,400
School improvement	8/1/10	8/1/30	2.0-4.0	1,700,000	Various	1,700,000
Total school				<u>40,621,800</u>		<u>28,330,340</u>
Sewer notes:						
Vernon sewer	9/15/96	9/15/13	5-6.75	555,000	Various	89,300
Vernon wastewater	12/31/97	12/31/16	2	1,748,330	Various	547,204
Total sewer notes				<u>2,303,330</u>		<u>636,504</u>
Total Outstanding				<u>\$ 59,113,330</u>		<u>\$ 39,026,504</u>

Annual debt service requirements to maturity for general obligation bonds and long-term notes are as follows:

	<u>Bonds</u>		<u>Sewer Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,180,000	\$ 1,457,811	\$ 127,371	\$ 15,298
2013	2,915,000	1,335,529	124,590	11,506
2014	2,930,000	1,225,926	128,348	7,066
2015	2,940,000	1,116,798	100,945	4,202
2016	2,890,000	1,009,669	102,982	2,164
2017-2021	12,430,000	3,432,871	52,268	305
2022-2026	9,500,000	1,226,878		
2027-2031	1,605,000	102,158		
Total	<u>\$ 38,390,000</u>	<u>\$ 10,907,640</u>	<u>\$ 636,504</u>	<u>\$ 40,541</u>

## Authorized But Unissued Bonds

The total of authorized but unissued bonds at June 30, 2011 is \$4,328,142. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

## Statutory Debt Limitation

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General Purpose	\$ 83,702,108	\$ 10,271,485	\$ 73,430,623
Schools	167,404,217	28,671,742	138,732,475
Sewers	139,503,514	2,580,000	136,923,514
Urban Renewal	120,903,045		120,903,045
Pension Deficit	111,602,811		111,602,811

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$260,406,559. All long-term debt obligations are retired through General Fund appropriations. The indebtedness reflected above includes bonds and notes outstanding in addition to the amounts of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable of \$2,019,915 is reflected as deductions in the computation of net indebtedness.

## Capital Lease

The Town is a lessee in a lease agreement for a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. During 2011, the Town entered into a \$3,600,000 equipment taxable direct pay qualified energy conservation bond (QECB) lease/purchase agreement. The lease has an interest rate of 5.11%, a tax credit rate of 5.01% (70% of tax credit rate of 3.51%), and a net effective rate of 1.6% and matures on June 29, 2026. Principal and interest payments are made biannually and vary throughout the life of the lease. There were no lease payments made on the QECB lease during 2011. The qualified energy conservation bond proceeds were not spent as of June 30, 2011.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
Asset:	
Vehicle	\$ 424,486
Less accumulated depreciation	<u>125,845</u>
Total	<u>\$ 298,641</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2011 were as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2012	\$ 253,566
2013	317,293
2014	440,407
2015	426,780
2016	413,154
Thereafter	<u>3,382,068</u>
Total minimum lease payments	5,233,268
Less amount representing interest	<u>1,565,254</u>
 Present Value of Minimum Lease Payments	 \$ <u><u>3,668,014</u></u>

#### 4. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	<u>General Fund</u>	<u>Sewer Reserve</u>	<u>CDBG Small Cities</u>	<u>Bonded Capital Projects</u>	<u>Capital Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:							
Nonspendable:							
Inventory	\$	\$	\$	\$	\$	\$ 37,833	\$ 37,833
Permanent fund principal						313,063	313,063
Restricted for:							
Capital projects						239,788	239,788
Community services			84,851				84,851
Education						24,389	24,389
Committed to:							
Community services						1,661,240	1,661,240
Public works		212,600				151,925	364,525
Public safety services						103,883	103,883
Education						396,125	396,125
Capital projects				1,358,523	4,452,406		5,810,929
Assigned to:							
Special revenue	5,000						5,000
Community services	8,512						8,512
Planning and community development	5,679						5,679
Public safety services	556,551						556,551
Education	362,717						362,717
General government	382,060						382,060
Record and financial services	51,416						51,416
Contribution to next fiscal budget	230,000						230,000
Unassigned	<u>6,209,332</u>						<u>6,209,332</u>
Total Fund Balances	<u>\$ 7,811,267</u>	<u>\$ 212,600</u>	<u>\$ 84,851</u>	<u>\$ 1,358,523</u>	<u>\$ 4,452,406</u>	<u>\$ 2,928,246</u>	<u>\$ 16,847,893</u>

This level of detail is not required for display on the face of the balance sheet. Fund balance categories and classifications may be presented in detail or in the aggregate if sufficient detail is provided in the notes to the financial statements.

Significant encumbrances at June 30, 2011 are contained in the above table in both the assigned and committed categories of the General Fund.

## **5. EMPLOYEE RETIREMENT PLANS**

### **A. Pension Plan - Defined Contribution**

The Town is the administrator of a single employer, defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan covers substantially all Town and Board of Education employees except elected officials and certified teachers. Contributions are established and amended by the approval of the Town Council.

#### **Summary Plan Description**

All full-time Town employees who work at least 25 hours a week and all Board of Education employees who work 1,000 hours or more per year are required, as a condition of employment, to participate in the Plan, except for elected officials and certified teachers. Eligible employees must be at least 18 years of age on or prior to their date of employment. Benefits vest 100% after five years. Any nonvested Town contributions and related interest thereon of employees who leave employment are reserved in a forfeiture account to offset future Town contributions. Normal retirement date is age 65. Plan provisions and the authority to amend the provisions are established by Town ordinance.

#### **Contribution Requirements/Contributions Made**

The employer contribution for Town and Board of Education employees for the Plan year is 6% of earnings. The total Town contribution during the year ended June 30, 2011 was \$231,576 and represented 6% of covered payroll. The employees' required contributions were \$96,490 and represented 2.5% of covered payroll.

#### **Employer and Employee Obligations**

Members are required to contribute 2.5% of their annual earnings. The Town is required to contribute 6% of the members' annual earnings.

### **B. Teachers' Retirement**

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state.

All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service, teachers were fully vested in their own contributions. After ten years of service, teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-183b(7). For the year ended June 30, 2011, teachers of the Town contributed \$1,241,759 to the plan, and covered payroll for the year was \$16,556,784. The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2011 was \$2,713,864 and is recognized in the governmental funds GAAP-basis income statement.

## C. Annual OPEB Cost and Net OPEB Obligations

### Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Retiree Medical Program (RMP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the Town.

Investments are reported at fair value. Investment income is recognized as earned.

### Plan Description

The RMP is a single-employer defined benefit healthcare plan administered by the Town of Tolland. The RMP provides medical and dental benefits to eligible retirees and their spouses. All employees of the Town are eligible to participate in the plan. Benefit provisions are established through negotiations between the Town and the various unions representing the employees.

The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the Other Post Employment Benefits Trust Fund. The plan does not issue a stand-alone financial report.

At July 1, 2008, plan membership consisted of the following:

	<b><u>Retiree Medical Program</u></b>
Retired members	75
Spouses of retired members	32
Active plan members	<u>304</u>
Total Participants	<u><u>411</u></u>

## Funding Policy

The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

		<b>2010-2011 Monthly COBRA Premiums</b>	
		<u>Employee</u>	<u>Spouse</u>
Medical - Town	Pre 65	\$ 446.57	\$ 362.71
	Post 65	289.94	289.94
Medical - BOE	Pre 65	743.42	742.34
	Post 65	289.94	289.94
Dental		37.91	53.89

Employer contributions to the plan of \$559,000 were made in accordance with actuarially determined requirements. Of this amount, \$461,000 represents premium payments, and \$98,000 was contributed to prefund benefits.

## Annual OPEB Cost and Net OPEB Obligations

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

	<b>Retiree Medical Program</b>
Annual required contribution (ARC)	\$ 486,000
Interest on net OPEB obligation	(8,823)
Adjustment to annual required contribution	7,724
Annual OPEB cost (expense)	<u>484,901</u>
Contributions made	<u>559,000</u>
Increase in net OPEB asset	(74,099)
Net OPEB asset, beginning of year	<u>(117,635)</u>
Net OPEB Asset, End of Year	<u>\$ (191,734)</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal years ended June 30, 2011, 2010 and 2009, are presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>OPEB Obligation (Asset)</u>
6/30/2009	\$ 437,000	\$ 494,000	113.04%	\$ (57,000)
6/30/2010	460,365	521,000	113.17	(117,635)
6/30/2011	484,901	559,000	115.28	(191,734)

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

### **Funding Status and Funding Progress**

The funded status of the plan as of July 1, 2008, the most recent actuarial valuation date, is as follows:

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/09	7/1/2008	\$ -0-	\$ 4,954,000	\$ 4,954,000	0%	\$ n/a	n/a
6/30/10	7/1/2008	-0-	4,954,000	4,954,000	0%	n/a	n/a
6/30/11	7/1/2008	-0-	4,954,000	4,954,000	0%	n/a	n/a

### **Schedule of Employer Contributions**

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
6/30/2009	\$ 437,000	\$ 494,000	113%
6/30/2010	461,000	521,000	113%
6/30/2011	486,000	559,000	115%

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 6.7% initially, reduced by decrements to an ultimate rate of 4.7% after 71 years. Projected salary increases were 4%. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 23 years.

## **6. OTHER INFORMATION**

### **A. Risk Management**

The Town is exposed to various risks of loss related to public officials and police liability; Board of Education liability; torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance for all risks of loss. Settled claims from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2011. There have been no significant reductions in insurance coverage during the year.

### **B. Contingent Liabilities**

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

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

### **C. Subsequent Events**

On September 28, 2011, the Town issued General Obligation Bonds in the amount of \$4,910,000 at a true interest cost of 2.305%, which reflects a premium of \$344,694 and an estimated issuance cost of \$90,000. This Town issue is comprised of \$2,675,000 of bond proceeds and \$2,235,000 of bond refunding related to the 2003 General Obligation bonds. These bonds mature on October 1, 2026.

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APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION (SERIES A BONDS)

August 29, 2012

Town of Tolland  
21 Tolland Green  
Tolland, CT 06084

RE: Town of Tolland, Connecticut  
\$1,460,000 General Obligation Bonds, Issue of 2012, Series A, dated August 29, 2012

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Tolland, Connecticut (the "Town") of its \$1,460,000 General Obligation Bonds, Issue of 2012, Series A, dated August 29, 2012 (the "Bonds").

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Town and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Town authorized to issue the Bonds, in connection with the issuance and delivery of the Bonds, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement, the final Official Statement or any other offering material relating to the Bonds (except only the matters set forth as our opinion in the Preliminary Official Statement and the final Official Statement), and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of U.S. Bank National Association, the Bonds will be the valid and binding general obligations of the Town. The Bonds will be payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to certain classified property such as certified forest land taxable at a limited rate pursuant to Section 12-97 of the Connecticut General Statutes and dwelling houses of qualified elderly persons of low income taxable at limited amounts pursuant to Section 12-129b of the Connecticut General Statutes. Subject to conformity with Section 12-129d of the Connecticut General Statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

2. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax for individuals or corporations. Such interest is, however, includable in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations.

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

The opinions set forth in the preceding paragraphs are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Under existing law, 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 subject to and required to pay the federal alternative minimum tax.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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

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

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

## TAX EXEMPTION

### *Federal Tax Matters*

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the 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 of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

Ownership of the Bonds may result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the 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 the Bonds.

Legislation affecting municipal bonds is regularly under construction by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds, and Bond Counsel expresses no opinion thereon.

### *State Taxes*

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

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

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 the Bonds.

### *Original Issue Discount*

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

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner

of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

### *Original Issue Premium*

The initial public offering prices of certain maturities of the Bonds (the "OIP Bonds") may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for the OIP Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OIP Bonds are sold. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the amortization of premium and the effect upon basis.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State of Connecticut income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

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

APPENDIX C - OPINION OF BOND COUNSEL AND TAX EXEMPTION (SERIES B BONDS)

August 29, 2012

Town of Tolland  
21 Tolland Green  
Tolland, CT 06084

RE: Town of Tolland, Connecticut  
\$8,025,000 General Obligation Refunding Bonds, Issue of 2012, Series B, dated August 29, 2012

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Tolland, Connecticut (the "Town") of its \$8,025,000 General Obligation Refunding Bonds, Issue of 2012, Series B, dated August 29, 2012 (the "Bonds").

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Town and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Town authorized to issue the Bonds, in connection with the issuance and delivery of the Bonds, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement, the final Official Statement or any other offering material relating to the Bonds (except only the matters set forth as our opinion in the Preliminary Official Statement and the final Official Statement), and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of U.S. Bank National Association, the Bonds will be the valid and binding general obligations of the Town. The Bonds will be payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to certain classified property such as certified forest land taxable at a limited rate pursuant to Section 12-97 of the Connecticut General Statutes and dwelling houses of qualified elderly persons of low income taxable at limited amounts pursuant to Section 12-129b of the Connecticut General Statutes. Subject to conformity with Section 12-129d of the Connecticut General Statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

2. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax for individuals or corporations. Such interest is, however, includable in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations.

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

The opinions set forth in the preceding paragraphs are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Under existing law, 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 subject to and required to pay the federal alternative minimum tax.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

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

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

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

## TAX EXEMPTION

### *Federal Tax Matters*

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the 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 of certain corporations (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on such corporations.

Ownership of the Bonds may result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the 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 the Bonds.

Legislation affecting municipal bonds is regularly under construction by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds, and Bond Counsel expresses no opinion thereon.

### *State Taxes*

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

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

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 the Bonds.

### *Original Issue Discount*

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

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner

of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

### *Original Issue Premium*

The initial public offering prices of certain maturities of the Bonds (the "OIP Bonds") may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for the OIP Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OIP Bonds are sold. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the amortization of premium and the effect upon basis.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State of Connecticut income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates.

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

## APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT

### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Agreement") is executed and delivered as of the 29th day of August, 2012, by the Town of Tolland, Connecticut (the "Town"), acting by its undersigned officers, duly authorized, in connection with the issuance of \$1,460,000 General Obligation Bonds, Issue of 2012, Series A, dated August 29, 2012, and \$8,025,000 General Obligation Refunding Bonds, Issue of 2012, Series B, dated August 29, 2012 (together, the "Bonds") for the benefit of the beneficial owners from time to time of the Bonds.

#### **Section 1. Definitions.**

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

"Final Official Statement" means the official statement of the Town, dated August 15, 2012, prepared in connection with the Bonds.

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

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

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

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

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

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

(a) The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and otherwise in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2012) as follows:

(i) Audited financial statements of the Town's general fund, special revenue fund, capital projects funds, internal service and trust or agency funds, and the general long-term obligations account group (the "Governmental Funds") for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Town is required to prepare audited financial statements of its various funds and accounts. The modified accrual basis of accounting is

followed for the Town's general fund with major revenues recorded when measurable and available and expenditures recorded when incurred.

- (ii) In addition to the information and statements described in (i) above:
  - (A) amounts of the net taxable grand list applicable to the fiscal year,
  - (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
  - (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
  - (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
  - (E) calculation of total net debt as of the close of the fiscal year,
  - (F) total bonded debt of the Town per capita,
  - (G) ratios of the total bonded debt of the Town to the Town's net taxable grand list,
  - (H) statement of statutory debt limitation as of the close of the fiscal year, and
  - (I) funding status of the Town's pension benefit obligations.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Town's fiscal year currently ends on June 30.

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

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

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

foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

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

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;

Note to clause (l): For the purposes of the event identified in clause (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of trustee, if material.

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

The Town agrees to provide, or cause to be provided, in a timely manner, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

**Section 5. Use of Agents.**

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

**Section 6. Termination.**

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

**Section 7. Enforcement.**

The Town acknowledges that the undertakings set forth in Sections 2, 3 and 4 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to undertakings set forth in Section 2 of this Agreement or five (5) business days with respect to undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Town Manager, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. For purposes of this section, notice to the Town should be made to the Town Manager, Town of Tolland, 21 Tolland Green, Tolland, Connecticut 06084.

In the event the Town does not cure such failure within the time specified above, the beneficial owner of any of the Bonds shall be entitled only to the remedy of specific performance. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

**Section 8. Miscellaneous.**

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

information, data or notices, the Town shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

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

(c) Notwithstanding any other provisions of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, (ii) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 66 2/3% of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with the Repository in electronic format. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating or financial information provided.

TOWN OF TOLLAND

By: \_\_\_\_\_  
STEVEN R. WERBNER  
Town Manager

By: \_\_\_\_\_  
AGATA HERASIMOWICZ  
Treasurer

By: \_\_\_\_\_  
LISA A. HANCOCK  
Director of Finance and Records



**TOWN OF TOLLAND, CONNECTICUT**  
**\$9,485,000 GENERAL OBLIGATION BONDS, ISSUE OF 2012**  
**BOOK-ENTRY-ONLY**  
**Consisting of:**

<b>\$1,460,000</b>	<b>\$8,025,000</b>
<b>GENERAL OBLIGATION BONDS</b>	<b>GENERAL OBLIGATION REFUNDING BONDS</b>
<b>ISSUE OF 2012, SERIES A (the "Series A Bonds")</b>	<b>ISSUE OF 2012, SERIES B (the "Series B Bonds")</b>

**(collectively, the "Bonds")**

