

OFFICIAL STATEMENT DATED JULY 24, 2018**NEW ISSUE****BONDS S&P RATING: AA (BUILD AMERICA MUTUAL ASSURANCE COMPANY)****MOODY'S UNDERLYING RATING: A1**

In the opinion of Bond Counsel, assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), based on existing law, interest on the Bonds and Notes is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on certain corporations. Interest on the Bonds and Notes may be includable in the calculation of certain taxes under the Code, as described under Appendix B-1 "Form of Legal Opinion of Bond Counsel and Tax Exemption – The Bonds" and Appendix B-2 "Form of Opinion of Bond Counsel and Tax Exemption – The Notes" herein. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

TOWN OF STAFFORD, CONNECTICUT**\$4,790,000 GENERAL OBLIGATION BONDS, ISSUE OF 2018****(BOOK-ENTRY-ONLY)****BANK QUALIFIED**

DATED					DUE				
Date of Delivery					August 1, as shown below				
Due August 1	Principal Amount	Coupon¹	Yield	CUSIP¹	Due August 1	Principal Amount	Coupon¹	Yield	CUSIP¹
2019	\$ 240,000	5.000%	1.550%	852410KX6	2029	\$ 240,000	3.000%	3.000%	852410LH0
2020	240,000	5.000%	1.690%	852410KY4	2030	240,000	3.000%	3.050%	852410LJ6
2021	240,000	5.000%	1.820%	852410KZ1	2031	240,000	3.000%	3.150%	852410LK3
2022	240,000	5.000%	1.940%	852410LA5	2032	240,000	3.125%	3.200%	852410LL1
2023	240,000	5.000%	2.040%	852410LB3	2033	240,000	3.250%	3.250%	852410LM9
2024	240,000	5.000%	2.160%	852410LC1	2034	240,000	3.250%	3.300%	852410LN7
2025	240,000	5.000%	2.270%	852410LD9	2035	240,000	3.250%	3.350%	852410LP2
2026	240,000	5.000%	2.380%	852410LE7	2036	240,000	3.375%	3.400%	852410LQ0
2027	240,000	3.000%	2.650%	852410LF4 *	2037	235,000	3.375%	3.450%	852410LR8
2028	240,000	3.000%	2.800%	852410LG2 *	2038	235,000	3.500%	3.500%	852410LS6

*Priced assuming redemption on August 1, 2026; however redemption is at the election of the Town. See "Optional redemption herein."

Underwriter**BAIRD**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



Interest on the Bonds will be payable on February 1, 2019 and semiannually thereafter on August 1 and February 1 in each year until maturity or redemption prior to maturity.

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

\$435,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES**Dated: August 1, 2018****Due: July 30, 2019**

Amount	Coupon	Yield	CUSIP^{1,2}
\$435,000	2.50%	1.75%	852410LT4

Underwriter**OPPENHEIMER & CO.**

The Notes are not subject to redemption prior to maturity.

The Bonds and Notes will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds and Notes. Purchasers of the Bonds and Notes will not receive certificates representing their ownership in the Bonds and Notes. Principal of, redemption premium if any, and interest on the Bonds and Notes will be payable by the Town or its agent to DTC or its nominee as registered owners of the Bonds and Notes. Ownership of the Bonds and Notes may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein).

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

The certifying bank, registrar, transfer and paying agent for the Bonds and Notes will be U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and Notes will be made in book-entry form to DTC in New York, New York on or about August 1, 2018.

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

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

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Exhibit D - Specimen Municipal Bond Insurance Policy”.

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

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

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and Notes and may not be reproduced or used in whole or in part for any other purpose.

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds and Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

BOND ISSUE SUMMARY

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

Issuer:	Town of Stafford, Connecticut (the “Town”).
Issue:	\$4,790,000 General Obligation Bonds, Issue of 2018 (the “Bonds”).
Dated Date:	Date of Delivery.
Interest Due:	Semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2019.
Principal Due:	August 1, 2019 through 2038, as detailed in this Official Statement.
Purpose and Authority:	The proceeds of the Bonds, along with paydowns, will be used to refund a portion of the outstanding notes maturing on August 1, 2018. The funds were utilized for sewer line repairs, wastewater treatment plant upgrades, sewer system pump station upgrades, energy improvements to Town and school facilities, and gas, water and sewerline extensions as authorized by the voters of the Town. See “Use of Bonds and Note Proceeds” herein.
Redemption:	The Bonds <u>are</u> subject to optional redemption prior to maturity as more fully described herein.
Security:	The Bonds will be general obligations of the Town of Stafford, Connecticut and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	S&P is expected to assign the Bonds an insured rating of “AA” based upon the issuance of the insurance policy to be issued by Build America Mutual Assurance Company (“BAM”) at the time of delivery of the Bonds. The Town received a credit rating of “A1” from Moody’s Investors Service, Inc. (“Moody’s”) on the Bonds. See “Rating” herein.
Bond Insurance:	Build America Mutual Assurance Company has made a commitment to issue a financial guaranty insurance policy relating to the Bonds effective as of the date of issuance of the Bonds. See Appendix D “Specimen Municipal Bond Insurance Policy” herein. See “Bond Insurance Policy” and “Build America Mutual Assurance Company” herein.
Basis of Award:	Lowest True Interest Costs (TIC) as of dated date.
Tax Exemption:	Refer to Appendix B-1, “Form of Legal Opinion of Bond Counsel and Tax Exemption – The Bonds” herein.
Bank Qualification:	The Bonds <u>shall</u> 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 incurred to carry the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data with respect to the Bonds, (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notices of the occurrence of certain listed events with respect to the Bonds (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, with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form of Appendix C-1 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, 23 rd Floor, Hartford, Connecticut.
Legal Opinion:	Shipman & Goodwin LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 1, 2018 against payment in Federal Funds .
Issuer Official:	Questions concerning the Official Statement should be directed to Ms. Lisa Baxter, Chief Financial Officer, Town of Stafford, 1 Main Street, Stafford Springs, Connecticut 06076. Telephone: 860-684-1772.
Municipal Advisor:	Hilltop Securities Inc., 175 Capital Boulevard, Suite 402, Rocky Hill, Connecticut 06067, attention: Susan Caron, Vice President, Telephone: 860-290-3000; or Adam Krea, Director, Telephone: 401-334-4963.

NOTE ISSUE SUMMARY

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

Issuer:	Town of Stafford, Connecticut (the “Town”).
Issue:	\$435,000 General Obligation Bond Anticipation Notes (the “Notes”).
Dated Date:	August 1, 2018
Interest Due:	At maturity, July 30, 2019.
Principal Due:	At maturity, July 30, 2019.
Purpose and Authority:	The proceeds of the Notes, along with paydowns, will be used to refund a portion of the outstanding notes maturing on August 1, 2018. The funds were utilized for an inflow and infiltration analysis study as authorized by the voters of the Town. See “Use of Bonds and Note Proceeds” herein.
Redemption:	The Notes are not subject to optional redemption prior to maturity.
Security:	The Notes will be general obligations of the Town of Stafford, Connecticut and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	The Town has not applied for a rating on the Notes. Currently the Town has a credit rating of “A1” from Moody’s Investors Service, Inc. (“Moody’s”) on its outstanding bonds. See “Rating” herein.
Basis of Award:	Lowest Net Interest Costs (NIC) as of dated date.
Tax Exemption:	Refer to Appendix B-2, “Form of Legal Opinion of Bond Counsel and Tax Exemption – The Notes” herein.
Bank Qualification:	The Notes 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 interest expense incurred to carry the Notes.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided timely, but not in excess of ten (10) business days after the occurrence of the event, notices of the occurrence of certain events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form of Appendix C-2 to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, 23 rd Floor, Hartford, Connecticut.
Legal Opinion:	Shipman & Goodwin LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 1, 2018 against payment in Federal Funds .
Issuer Official:	Questions concerning the Official Statement should be directed to Ms. Lisa Baxter, Chief Financial Officer, Town of Stafford, 1 Main Street, Stafford Springs, Connecticut 06076. Telephone: 860-684-1772.
Municipal Advisor:	Hilltop Securities Inc., 175 Capital Boulevard, Suite 402, Rocky Hill, Connecticut 06067, attention: Susan Caron, Vice President, Telephone: 860-290-3000; or Adam Krea, Director, Telephone: 401-334-4963.

I. BOND AND NOTE INFORMATION

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Stafford, Connecticut (the “Town”) in connection with the original issuance and sale of \$4,790,000 General Obligation Bonds, Issue of 2018 (the “Bonds”) and \$435,000 General Obligation Bond Anticipation Notes (the “Notes”), of the Town.

The Bonds and Notes are being offered for sale at public bidding. Notices of Sale dated July 16, 2018 have been furnished to prospective bidders. Reference is made to the Notices of Sale for the terms and conditions of the bidding on the Bonds and Notes.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds and Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents, and all reference to the Bonds and Notes, and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes, and such proceedings.

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

Hilltop Securities Inc. (“HilltopSecurities”) is engaged as Municipal Advisor to the Town in connection with the issuance of the Bonds and Notes. The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds and Notes is contingent upon the issuance and delivery of the Bonds and Notes. HilltopSecurities cannot submit a bid for the Bonds and Notes, either independently or as a member of a syndicate organized to submit a bid for the Bonds and Notes. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal and state income tax status of the Bonds and Notes or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Set forth in Appendix A “Basic 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 is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendices B-1 and B-2 “Form of Legal Opinion of Bond Counsel and Tax Exemption – The Bonds” and “Form of Legal Opinion of Bond Counsel and Tax Exemption – The Notes” herein) and it makes no representation that it has independently verified the same.

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

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will mature in annual installments on August 1 in each of the years and in the principal amounts set forth on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiples thereof. Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2019 and will be payable to the registered owners of

the Bonds as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. A book-entry-only transfer system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry Transfer System” herein. The Certifying Agent, Paying Agent, Registrar and Transfer Agent for the Bonds will be U.S. Bank National Association, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 (email: bhcorporatetrust@usbank.com). The legal opinion on the Bonds will be rendered by Shipman & Goodwin LLP, in substantially the form set forth in Appendix B-1 to this Official Statement.

The Bonds are subject to optional redemption prior to maturity as more fully described herein.

OPTIONAL REDEMPTION

The Bonds maturing on or before August 1, 2026 are **not** subject to redemption prior to maturity. The Bonds maturing on August 1, 2027 and thereafter are subject to redemption prior to maturity, at the option of the Town, on and after August 1, 2026, at any time in whole or in part and by lot within a maturity in such amounts and in such order of maturity as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus accrued interest and unpaid interest, to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2026 and thereafter	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date to the registered owner of such Bonds at the address of such registered owner as the name shall appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date. So long as Cede & Co., as nominee of the Depository Trust Company (“DTC”), is the registered owner of the Bonds, notice of redemption will be sent only to DTC (or a successor securities depository) or its successor nominee.

If less than all 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 multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interest 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, or be the responsibility of, the Town, the Registrar or Paying Agent, for the Bonds.

DESCRIPTION OF THE NOTES

The Notes will be dated August 1, 2018 and will be due and payable as to both principal and interest at maturity on July 30, 2019. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The Notes will be issued as fully-registered notes in denominations of \$5,000 or any integral multiples thereof. A book-entry transfer system will be employed evidencing ownership of the Notes with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to the rules and procedures established by DTC and its participants. See “Book-Entry Transfer System” herein.

The certifying bank, registrar, transfer and paying agent for the Notes will be U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 (email: bhcorporatetrust@usbank.com). The legal opinion on the Notes will be rendered by Shipman & Goodwin LLP, in substantially the form set forth in Appendix B-2 to this Official Statement.

The Notes are not subject to redemption prior to maturity.

BOOK-ENTRY TRANSFER SYSTEM

The Bonds and Notes will be issued by means of a book-entry system and registered in the name of Cede & Co., as nominee for the Depository Trust Company (“DTC”), New York, New York. This section describes how ownership of the Bonds and Notes is to be transferred and how the principal of, premium, if any, and interest on the Bonds and Notes are to be paid to and accredited by DTC while the Bonds and Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Transfer System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds and Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds and Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds and Notes. The Bonds and Notes will be issued as fully-registered Bonds and Notes 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 each maturity, and will be deposited with DTC. One fully registered Note certificate will be issued for each interest rate of the Notes, and will be deposited with DTC.

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

Purchases of Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC’s records. The ownership interest of each actual purchaser of each Bond and Note (“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 and Notes 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 and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds in an issue are being redeemed, DTC's practice is to determine by lot, the amount of interest for 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 and Notes 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 and Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds and Notes 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/Registrar, 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 Bonds and Notes 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/Registrar, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent/Registrar, 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 and Notes at any time by giving reasonable notice to the Town or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, bond and note 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 and note 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 and Notes 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.

SECURITY AND REMEDIES

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

Unless paid from other sources, the Bonds and Notes 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.

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

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds and Notes, 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 such bonds and notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted by the Congress or the Connecticut General Assembly and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes 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.

QUALIFICATIONS FOR FINANCIAL INSTITUTIONS

The Bonds and Notes 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 interest expense allocable to the Bonds and Notes.

AVAILABILITY OF CONTINUING DISCLOSURE

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

The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendices C-1 and C-2 to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data with respect to the Bonds (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Bonds and Notes 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 with respect to the Bonds.

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide annual financial information and event notices pursuant to Rule 15c2-12. In the past five years, the Town has not failed to comply, in any material respect, with its undertakings in such agreements.

The Town is not responsible for any failure by EMMA or any other nationally recognized municipal securities information repository to timely post disclosure submitted to it by the Town or any failure to associate such submitted disclosure to all related CUSIPs.

AUTHORIZATION AND PURPOSE

The Bonds and Notes are issued pursuant to the General Statutes of Connecticut, as amended, and borrowing resolutions approved by the voters of the Town. The proceeds shall be used as described below in “Use of Bond and Note Proceeds”.

USE OF BOND AND NOTE PROCEEDS

The Bonds and Notes will be used to finance the following projects authorized by the Town:

Project	Amount Authorized	Previously Bonded	Paydowns/ Grants/Other	BANs Due 8/1/18	Bonds This Issue	Notes This Issue	Authorized But Unissued
Sewer Line Repairs.....	\$690,000		\$191,000	\$534,000	\$499,000	\$0	\$0
Wastewater Treatment Plant Upgrade.....	15,440,000	\$6,566,000	5,717,475	613,000	561,000	0	2,595,525
Sewer System Pump Station Upgrades.....	1,370,000		360,000	1,025,000	955,000	0	55,000
Energy Improv. in Town & School Facilities.....	2,082,000		600,000	1,465,000	1,365,000	0	117,000
Inflow & Infiltration Analysis, Evaluation Study.....	675,000		185,285	471,000	0	435,000	54,715
Gas, Water & Sewerline Extensions.....	1,910,000		500,000	1,410,000	1,410,000	0	0
Total.....	\$22,167,000	\$6,566,000	\$7,553,760	\$5,518,000	\$4,790,000	\$435,000	\$2,822,240

RATING

The Town received a credit rating of “A1” from Moody’s Investors Service, Inc. (“Moody’s”) on the Bonds. S&P is expected to assign the Bonds an insured rating of “AA” based upon the issuance of the insurance policy to be issued by Build America Mutual Assurance Company (“BAM”) at the time of delivery of the Bonds.

The rating reflects only the views of the rating agency and an explanation of the significance of such rating may be obtained from Moody’s Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. There is no assurance that the rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Town’s bonds or notes, including the Bonds and Notes.

The Town has not applied for a rating on the Notes.

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's

website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

II. THE ISSUER



DESCRIPTION OF THE TOWN

Stafford was settled in 1719 as Connecticut's fifty-first town. The Town covers an area of 60.8 square miles located 27 miles northeast of Hartford on the Massachusetts border. It is bound on the east by Union, the south by Ellington and Willington and the west by Somers. The government of the Borough of Stafford Springs was dissolved at a Town referendum held on September 24, 1991 and consolidated with the Town of Stafford.

The Town is just northwest of Interstate Highway 84 and is traversed by Connecticut State Routes 19, 30, 32, 140, 190 and 319. The Central Vermont Railroad and various motor common carriers provide freight service.

Once a textile and a farming community, Stafford is a gradually growing residential community with diversified and expanding industrial and commercial resources. One of Stafford's greatest assets is its labor force of craftsmen. Approximately 50% of its labor force is employed locally and 50% commute to the Greater Hartford area and surrounding towns.

Major industries in Stafford include Cuno, Inc., North American Printed Circuits, TTM Technologies, and Willington Name Plate, Inc. An expansion of retail, small business, and professional buildings along Route 190 has enhanced the area. Stafford continues to actively seek new industry to locate in Town.

The population growth and increased economic activity in the Greater Hartford area combined with an excellent highway system make Stafford an attractive residential community.

A Planning Commission was established in 1957 and zoning and subdivision regulations were adopted in 1960. Zoning regulations require developers to meet certain land use standards and to properly construct roads, utilities and allow for open space areas. The Town's most recent Plan of Conservation and Development was adopted June 2012. A part-time Town Planner assists the Town's Zoning Officer and Planning and Zoning Commission members in their efforts.

FORM OF GOVERNMENT

Stafford has a Town Meeting form of government with a three member Board of Selectmen and a six member Board of Finance. The First Selectman is the Chief Executive Officer of the Town.

PRINCIPAL TOWN OFFICIALS

Office	Name	Manner of Selection	Term of Office
First Selectman.....	Mary Mitta	Elected	11/17-11/19
Selectman.....	John N. Locke, Sr.	Elected	11/17-11/19
Selectman.....	Vacant	Elected	
Town Clerk.....	Karen G. Troiano	Elected	11/17-11/19
Chief Financial Officer.....	Lisa Baxter	Appointed	Indefinite
Town Treasurer.....	Neil Hoss	Elected	11/17-11/19
Tax Collector.....	Stephanie Irving	Elected	11/17-11/19
Superintendent of Schools...	Steven Moccio ¹	Appointed	3/12/18-6/30/20

¹ Steven Moccio previously served as the High School principal in Suffield, CT since 2014.

Source: Town Officials.

On November 29, 2017 it was reported to the Connecticut State Police that all of the files/documents contained on the First Selectman's computer had been erased and files from the Town Hall server had been deleted. The former First Selectman Anthony Frassinelli was arrested on Monday June 25, 2018 and charged with computer crimes 3rd degree and unlawful removal of records. Arraignment for Mr. Frassinelli is scheduled for August 2, 2018 in Connecticut Superior Court.

At the time of his arrest, he was a member of the Town's Board of Selectmen. He has resigned as a member of the Board of Selectmen on July 3, 2018.

SUMMARY OF MUNICIPAL SERVICES

Police Protection: Stafford is served by a Resident State Trooper program and local Constables.

Fire Protection: Volunteer fire departments provide fire services to the Town. Over 100 dedicated residents staff the strategically located firehouses. Ambulance services are provided on a twenty-four hour basis by a paid ambulance service and local volunteers.

Wastewater Plant: A tertiary plant, constructed in 1972, was upgraded in 2009 at an approximate cost of \$12.5 million. The costs were funded with a USDA loan in the amount of \$6.566 million at a rate of 3.25% and a grant totaling \$5.333 million. The plant services fifty percent of the population, including most of the commercial and industrial businesses. Private septic systems are used by remaining Town residents.

Solid Waste: Municipal refuse pick-up is available within the Borough Service District. Stafford has in place a successful recycling program. The Town has an agreement with Babylon Recycling Center, Suffield, Connecticut, for the disposal of its solid waste. The agreement was effective May 1, 2018.

Parks & Recreation: For the outdoor enthusiast, Stafford and northern Connecticut offer many activities. Great canoeing, upland game hunting, fishing, swimming at the Town beach, as well as cross-country skiing, are activities available to the residents. The Town has 3 tennis courts, 14 ball fields and several parks. In addition, there are private recreational swimming and tennis clubs. During the summer, there is an active Little League program, girls softball, adult softball for women and a program including supervised swimming lessons for children. There are also programs for youth football, basketball, soccer and hockey. The Stafford Motor Speedway attracts tens of thousands of spectators every year and is a fixture of Stafford on spring and summer evenings.

Utilities: Electricity for the Town is provided by Eversource Energy, formerly the Connecticut Light & Power Company, a subsidiary of Northeast Utilities. However, the Town has approved and has begun implementing a

Geothermal and Solar Power Project for the Town's municipal and school buildings. The Project, once fully completed, is anticipated to significantly reduce the Town's purchase of electricity from Eversource Energy. The solar portion of the project is completed and active and the geothermal portion of the project is still under construction. See "Other Long-Term Commitment" under "DEBT SUMMARY" herein.

TOWN EMPLOYEES

The following is a breakdown by category of the Town's permanent full-time and part-time employees:

Department	Paid Position
Police Protection/ACO.....	10
Public Works, Parks & Transfer Station.....	22
Town Hall, Human Services, Library.....	45
Water Pollution Control Authority.....	7
Board of Education.....	337
Total	421

The following table illustrates the full and part-time Town employees for the last five fiscal years:

Fiscal Year¹	2018	2017	2016	2015	2014
General Government	84	88	90	90	92
Board of Education	337	337	330	326	333
Total	421	425	420	416	425

¹ Full-time and permanent part-time employees.
Source: Town Officials.

MUNICIPAL EMPLOYEES BARGAINING UNITS

General Government	Position Covered	Current Expiration Date
Public Works - MEUI.....	16	June 30, 2018 ¹
Town Hall/Human Services - AFSCME.....	11	June 30, 2018 ¹
Administrators - Teamsters Local 1035.....	3	June 30, 2019
Library - AFSCME.....	9	June 30, 2019
Professionals and Supervisors - AFSCME.....	15	June 30, 2018 ¹
Board of Education		
Administrators - Stafford Administrators Association	11	June 30, 2020
Certified Staff - Stafford Education Association.....	157	June 30, 2019
Non-Certified Staff - CSEA Local 2001, SEIU.....	143	June 30, 2018 ¹

¹ In negotiation.
Source: Town of Stafford.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. 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. For binding arbitration of all other municipal employee contracts, there is an irrefutable presumption that 15% of the municipal employer's budget reserve is not available for the payment of the cost of any item subject to arbitration. In light of the employer's

financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

EDUCATION SYSTEM

The Town's school system is governed by a local seven-member Board of Education elected biennially to four year terms. The primary function of the Board is to establish policy. Some areas for which such policies are set include curriculum, budget request submissions, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation. The Town's school system consists of five schools. The schools consist of two schools for pupils in grades Pre-K through 1, one school for pupils in grades 2-5, one middle school for pupils in grades 6-8, and one high school for pupils in grades 9-12.

SCHOOL FACILITIES

<u>School</u>	<u>Grades</u>	<u>Date of Construction/ Remodeling</u>	<u>Number of Classroom</u>	<u>2017-2018 Enrollment</u>	<u>Rated Capacity</u>
Staffordville.....	Pre K-1	1920, 1991	12	163	241
West Stafford.....	Pre K-1	1950, 1993	16	143	283
Stafford Elementary School.	2-5	2007	47	458	650
Middle School.....	6-8	1991	29	361	500
High School.....	9-12	1968, 2008	46	399	650
Totals.....				1,524	

Source: Town of Stafford, Superintendent's Office.

SCHOOL ENROLLMENT

<u>School Year</u>	<u>Pre K-5</u>	<u>6-8</u>	<u>9-12</u>	<u>Total</u>
<i>Historical</i>				
2013-2014	806	346	480	1,632
2014-2015	810	355	421	1,586
2015-2016	792	333	419	1,544
2016-2017	782	329	415	1,526
2017-2018	764	361	399	1,524
<i>Projected</i>				
2018-2019	704	346	382	1,432
2019-2020	674	349	293	1,316
2020-2021	647	327	396	1,370
2021-2022	640	319	383	1,342
2022-2023	626	302	394	1,322

Source: Town of Stafford, Superintendent's Office, New England School Development Council.

III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Year	Population ¹	% Increase	Density ²
2016	11,758	(2.7)	193
2010	12,087	6.9	199
2000	11,307	1.9	186
1990	11,091	19.7	182
1980	9,268	6.8	152
1970	8,680	16.1	143

¹ 1970-2010 – U.S. Department of Commerce, Bureau of Census;
Connecticut Department of Public Health, Population Estimate
2016.

² Per square mile: 60.8 square miles.

AGE DISTRIBUTION OF THE POPULATION

	Town of Stafford		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	604	5.1%	188,812	5.3%
5 - 19.....	2,332	19.6%	691,622	19.3%
20 - 44	3,552	29.8%	1,120,084	31.2%
45 - 64.....	3,802	31.9%	1,033,029	28.8%
65 - 84.....	1,333	11.2%	467,096	13.0%
85 and over.....	283	2.4%	87,927	2.4%
Totals.....	11,906	100.0%	3,588,570	100.0%
Median Age (years)		41.7		40.6

Source: U.S. Census Bureau, 2012-2016, American Community Survey.

INCOME DISTRIBUTION

	Town of Stafford		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$9,999.....	70	2.3%	29,623	3.3%
\$10,000 to \$14,999.....	106	3.5%	17,060	1.9%
\$15,000 to \$24,999.....	136	4.5%	44,354	5.0%
\$25,000 to \$34,999.....	170	5.6%	54,456	6.1%
\$35,000 to \$49,999.....	386	12.8%	81,300	9.1%
\$50,000 to \$74,999.....	513	16.9%	137,336	15.4%
\$75,000 to \$99,999.....	546	18.0%	124,033	13.9%
\$100,000 to \$149,999...	611	20.2%	186,214	20.8%
\$150,000 to \$199,999...	262	8.7%	96,075	10.7%
\$200,000 or more.....	227	7.5%	123,962	13.8%
Totals.....	3,027	100.0%	894,413	100.0%

Source: U.S. Census Bureau, 2012-2016 American Community Survey.

INCOME LEVELS

	Town of Stafford	State of Connecticut
Per Capita Income, 2016.....	\$30,952	\$38,803
Per Capita Income, 2010.....	\$28,027	\$36,775
Per Capita Income, 1999.....	\$22,017	\$28,766
Per Capita Income, 1989	\$15,550	\$20,189
Median Family Income, 2016.....	\$76,657	\$88,217
Median Family Income, 2010.....	\$69,789	\$84,170
Median Family Income, 1999.....	\$61,694	\$65,521
Median Family Income, 1989.....	\$43,019	\$49,199
Percent Below Poverty Level 2016.....	8.50%	7.30%

Source: U.S. Department of Commerce, Bureau of Census, 2010, 2000, 1990; U.S. Census Bureau, 2012-2016 American Community Survey.

EDUCATIONAL ATTAINMENT

Years of School Completed Age 25 and Over

	Town of Stafford		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	197	2.5%	103,279	4.2%
9th to 12th grade.....	691	8.8%	139,653	5.7%
High School graduate.....	2,783	35.5%	673,220	27.3%
Some college, no degree.....	1,655	21.1%	427,232	17.3%
Associate's degree	817	10.4%	184,426	7.5%
Bachelor's degree.....	1,134	14.5%	524,370	21.3%
Graduate or professional degree...	566	7.2%	413,949	16.8%
Totals	7,843	100.0%	2,466,129	100.0%
Total high school graduate or higher (%)		88.7%		90.1%
Total bachelor's degree or higher (%)		21.7%		38.0%

Source: U.S. Census Bureau, 2012-2016 American Community Survey.

MAJOR EMPLOYERS

As of July 2017

Employer	Product	Estimated Number of Employees
Johnson Memorial Hospital.....	Hospital	1,068
TTM Technologies.....	Printed Circuits	570
Town of Stafford.....	Municipality	421
3M.....	Manufacturer	140
Big Y.....	Supermarket	120
Willington Name Plate, Inc.....	Commercial Printing	80
Stafford Savings Bank.....	Banking Institution	32
American Sleeve Bearing.....	Manufacturer	29
Hobbs Medical.....	Medical Supplies	26

Source: Telephone Survey of Employers.

EMPLOYMENT BY INDUSTRY

Sector	Town of Stafford		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	58	0.9%	7,209	0.4%
Construction.....	481	7.7%	101,497	5.7%
Manufacturing.....	1,218	19.5%	190,713	10.6%
Wholesale Trade.....	184	2.9%	45,110	2.5%
Retail Trade.....	490	7.8%	193,853	10.8%
Transportation and warehousing, and utilities.....	392	6.3%	66,516	3.7%
Information	87	1.4%	42,374	2.4%
Finance, insurance, real estate, and rental and leasing	455	7.3%	163,765	9.1%
Professional, scientific, management, administrative and waste management services ..	513	8.2%	206,042	11.5%
Educational, health and social services.....	1,106	17.7%	474,976	26.5%
Arts, entertainment, recreation, accommodation and food services.....	584	9.3%	153,754	8.6%
Other services (except public administration).....	357	5.7%	81,588	4.5%
Public Administration	330	5.3%	66,291	3.7%
Total Labor Force, Employed.....	6,255	100.0%	1,793,688	100.0%

Source: U.S. Census Bureau, 2012-2016 American Community Survey.

EMPLOYMENT DATA

Period ¹	Town of Stafford		Percentage Unemployed		
	Employed	Unemployed	Town of Stafford	Hartford Labor Market	State of Connecticut
May 2018.....	6,530	266	3.9%	4.3%	4.3%
April 2018.....	6,481	313	4.6	4.4	4.3
March 2018.....	6,523	389	5.6	4.7	4.7
February 2018.....	6,485	413	6.0	5.4	5.1
January 2018.....	6,470	406	5.9	5.3	5.3
Annual Averages					
2017.....	6,546	324	4.7%	4.7%	4.7%
2016.....	6,423	369	5.4	5.1	5.1
2015.....	6,408	409	6.0	5.7	5.6
2014.....	6,331	461	6.8	6.6	6.6
2013.....	6,210	532	7.9	7.8	7.8
2012.....	6,256	580	8.5	8.4	8.3
2011.....	6,355	612	8.8	8.8	8.8
2010.....	6,345	674	9.6	9.2	9.1
2009.....	6,416	608	8.7	8.3	8.3
2008.....	6,479	391	5.7	5.7	5.6

¹ Not seasonally adjusted

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

Year Built	Town of Stafford		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	1,625	31.3%	334,202	22.4%
1940 to 1969.....	1,350	26.0%	533,202	35.7%
1970 to 1979.....	631	12.1%	200,614	13.4%
1980 to 1989.....	669	12.9%	190,755	12.8%
1990 to 2000.....	448	8.6%	113,584	7.6%
2000 or later.....	472	9.1%	121,441	8.1%
Total housing units, 2016....	5,195	100.0%	1,493,798	100.0%
Percent Owner Occupied, 2016	70.9%		66.5%	

Source: U.S. Census Bureau, 2012-2016 American Community Survey.

HOUSING INVENTORY

Type	Town of Stafford		State of Connecticut	
	Units	Percent	Units	Percent
1 unit detached.....	3,720	71.6%	882,236	59.1%
1 unit attached.....	166	3.2%	80,639	5.4%
2 to 4 units.....	785	15.1%	253,838	17.0%
5 to 9 units.....	322	6.2%	82,581	5.5%
10 or more units.....	104	2.0%	182,616	12.2%
Mobile home, trailer, other..	98	1.9%	11,888	0.8%
Total Inventory.....	5,195	100.0%	1,493,798	100.0%

Source: U.S. Census Bureau, 2012-2016 American Community Survey.

OWNER-OCCUPIED HOUSING VALUES

Specified Owner-Occupied Units	Town of Stafford		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	115	3.5%	24,343	2.7%
\$50,000 to \$99,999.....	135	4.1%	29,703	3.3%
\$100,000 to \$149,999.....	610	18.7%	81,158	9.0%
\$150,000 to \$199,999.....	860	26.4%	139,979	15.5%
\$200,000 to \$299,999.....	1,071	32.9%	246,071	27.3%
\$300,000 to \$499,999.....	401	12.3%	233,345	25.9%
\$500,000 to \$999,999.....	63	1.9%	104,952	11.7%
\$1,000,000 or more.....	0	0.0%	40,672	4.5%
Totals.....	3,255	100.0%	900,223	100.0%
Median Sales Price ¹ - 2000	\$128,200		\$166,900	
Median Sales Price - 2016	\$193,400		\$269,300	

¹ U.S. Department of Commerce, Bureau of Census, 2000.

Source: Census Bureau, 2012-2016 American Community Survey.

BUILDING PERMITS

Fiscal Year Ending June	Total	
	Number	Value
2018 ¹	494	\$15,472,910
2017	602	9,489,660
2016	665	10,163,509
2015	679	9,564,613
2014	637	12,009,876
2013	510	6,672,826
2012	566	8,864,265
2011	567	11,602,628
2010	633	16,018,838
2009	612	5,150,745

¹ Building Permits through May, 2018.

Source: Building Department, Town of Stafford.

LAND USE SUMMARY

Classification	Total Area		Developed		Undeveloped	
	Acreage	%	Acreage	%	Acreage	%
Residential.....	11,814.8	32.6%	9,656.8	26.7%	2,158.1	6.0%
Commercial.....	750.2	2.1%	567.7	1.6%	182.5	0.5%
Industrial.....	564.2	1.6%	442.9	1.2%	121.3	0.3%
Exempt.....	5,219.7	14.4%	689.3	1.9%	4,530.4	12.5%
Ten Mill.....	43.0	0.1%	0.0	0.0%	43.0	0.1%
Farm and Forest.....	17,800.3	49.2%	0.0	0.0%	17,800.3	49.2%
Total Area.....	36,192.3	100.0%	11,356.6	31.4%	24,835.6	68.6%

Source: Town of Stafford, Assessor's Office.

IV. TAX BASE DATA

ASSESSMENTS

The Town of Stafford had a general property revaluation by physical inspection of all real estate, effective on the Grand List of October 1, 2015. Under Section 12-62 of the General Statutes, the Town must do a revaluation every five years and the assessor must fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town of Stafford for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

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

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An assessor's check and audit is completed periodically. Assessments for personal property are computed at 70 percent of present value.

Motor vehicle lists are furnished to the Town by the State of Connecticut, and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule as recommended by the State of Connecticut Office of Policy and Management and the Assessor of the Town of Stafford. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Motor vehicles purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70 percent of the annual appraisal of market value.

Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town did not exceed these mill rate caps for the fiscal years ending June 30, 2018 or June 30, 2019.

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

PROPERTY TAX COLLECTION PROCEDURE

Taxes for the fiscal year are levied on the Grand List of the prior October 1, and are due July 1, payable in two installments, on July 1 and January 1. Personal property taxes are payable in one installment on July 1 with motor vehicle supplemental bills payable on January 1. Payments not received by August 1 and February 1, respectively, become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lienied each year prior to August 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

COMPARATIVE ASSESSED VALUATIONS

Grand List of 10/1	Real Property	Personal Property	Motor Vehicle	Gross Taxable Grand List	Less Exemptions ¹	Net Taxable Grand List	% Growth
2017	83.6%	5.3%	11.1%	\$923,903,839	\$142,602,386	\$781,301,453	0.48%
2016	82.1	8.5	9.4	917,432,939	139,900,077	777,532,862	1.00%
2015 ²	82.3	8.3	9.4	912,115,789	142,275,910	769,839,879	0.07%
2014	82.6	8.1	9.3	911,426,029	142,153,675	769,272,354	0.46%
2013	82.6	8.3	9.1	910,517,080	144,764,801	765,752,279	0.17%
2012	82.6	8.5	8.9	909,241,301	144,756,006	764,485,295	0.20%
2011 ²	84.6	4.7	10.7	908,952,080	145,988,660	762,963,420	-4.13%
2010	86.2	4.1	9.7	928,458,440	132,635,740	795,822,700	0.84%
2009	84.1	7.6	8.3	921,072,983	131,861,514	789,211,469	0.92%
2008	82.8	8.4	8.8	828,971,585	46,946,490	782,025,095	0.17%

¹ Connecticut General Statutes Section 12-81 (72) exempts certain new manufacturing equipment from property taxation by municipalities.

² Revaluation year.

Source: Assessor's Office, Town of Stafford.

PROPERTY TAX LEVIES AND COLLECTIONS

Grand List of Oct. 1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Annual Levy Collected End of Fiscal Year	Percent Annual Levy Uncollected End of Fiscal Year	Percent Annual Levy Uncollected 6/30/2017
2017	2019	\$781,301,453	34.26	\$26,777,715 ¹		Collections 7/18 & 1/19	
2016	2018	777,532,862	33.93	26,381,809 ¹		Collected 7/17 & 1/18	
2015	2017	769,839,879	33.51	26,010,638	97.6%	2.4%	2.4%
2014	2016	769,272,354	33.37	25,666,846	97.2%	2.8%	1.2%
2013	2015	765,752,279	33.03	25,286,135	96.4%	3.6%	0.6%
2012	2014	764,485,295	33.06	25,257,188	96.2%	3.8%	0.3%
2011	2013	762,963,420	32.29	24,595,606	96.1%	3.9%	0.1%
2010	2012	795,822,700	28.96	23,036,961	96.4%	3.6%	0.1%
2009	2011	789,211,469	27.96	22,063,382	97.1%	2.9%	0.0%
2008	2010	782,025,095	27.21	21,272,680	97.1%	2.9%	0.0%

¹ Estimated.

Source: Tax Collector's Office, Town of Stafford.

TEN LARGEST TAXPAYERS¹

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Net Taxable Grand List
Eversource ²	Utility	\$12,823,690	1.64%
Big Y Foods Inc.....	Grocery Store	5,797,970	0.74%
Athena Stafford Springs Landlord LLC.....	Real Estate	5,738,110	0.73%
Connecticut Water Company.....	Water Company	5,324,060	0.68%
TTM Printed Circuit Group Inc.....	Electronic Component	5,146,750	0.66%
Pisciotta Wayne & Jean LLC.....	Real Estate	4,495,310	0.58%
American Woolen Company Inc.....	Manufacturer of Fine Textiles	3,539,760	0.45%
3M Water Purification Inc.....	Manufacturer	2,864,980	0.37%
Stafford Springs Retail LLC.....	Real Estate	2,078,650	0.27%
Cuno, Inc.....	Manufacturer	1,986,810	0.25%
Total.....		<u>\$49,796,090</u>	<u>6.37%</u>

¹ Based on a 10/1/17 Net Taxable Grand List of \$781,301,453.

² Formerly Connecticut Power & Light Company.

Source: Assessor's Office, Town of Stafford.

EQUALIZED NET GRAND LIST

Grand List of 10/1	Equalized Net Grand List	% Growth
2015	\$1,101,222,496	0.00%
2014	1,101,177,516	0.31%
2013	1,097,754,329	4.91%
2012	1,046,410,611	-4.68%
2011	1,097,801,514	-2.63%
2010	1,127,409,492	-6.16%
2009	1,201,376,104	3.97%
2008	1,155,528,631	-9.72%
2007	1,279,871,932	-1.69%

Source: State of Connecticut, Office of Policy and Management.

V. FINANCIAL INFORMATION

FISCAL YEAR

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

ACCOUNTING POLICIES

The financial statements of the Town of Stafford, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2003. Please refer to Appendix A "Basic Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

Management's Discussion and Analysis ("MD&A") – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

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

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

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

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

BUDGETARY PROCEDURES

The Boards of Selectmen and Education submit requests or appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at the public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town. The legal level of budgetary control is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

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

ANNUAL AUDIT

Pursuant to Connecticut law, the Town is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2017, the examination was conducted by certified public accounts O'Connell, Pace & Company, P.C., Hartford, Connecticut.

PENSION PLANS

The Town is the administrator of a single-employer public employee retirement system ("PERS") established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers' Retirement System). The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Pension Committee of which members are appointed by the Board of Selectman.

The Plan provides retirement benefits through a single employer noncontributory defined benefit plan. Members include substantially all Town, Water Pollution Control Authority, Library, and Board of Education employees. Temporary employees, employees working less than 24 hours per week and any Board of Education employee covered under the Connecticut State Teachers' Retirement System are excluded. Employees hired after July 1, 2012 are not eligible for the plan.

The Town of Stafford's funding policy is based on the actuarial determined employer contribution ("ADEC"). The Town has a policy to pay at least the greater of: (a) 40% of the ADEC; or (b) 80% of the prior year's actual contribution up to 100% of the ADEC. For fiscal year ended June 30, 2017 the amount paid was \$1,113,284. For the fiscal year ending June 30, 2018 the amount paid was \$1,141,426.

The Town implemented GASB Statement No. 67 effective in Fiscal Year 2014. The following net pension liability of the Town Plan at June 30, 2017, determined by an actuarial valuation as of January 1, 2017 and based on actuarial assumptions as of that date, were as follows:

GASB 67 Schedules	
Town	
Total pension liability at June 30, 2017	\$23,085,947
Plan fiduciary net position	14,827,265
Town's net pension liability	\$8,258,682
Plan fiduciary net position as % of total pension liability	64.23%

The following presents the net pension liability, calculated using the discount rate of 7.00% for the Town, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
<u>General Employees net pension liability</u>			
as of June 30, 2017	\$10,862,173	\$8,258,682	\$6,028,400

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut State Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Defined Contribution Plan

The Town has a defined contribution plan for all eligible employees under Internal Revenue Code ("IRS") 401(a). This is administered through CPI Qualified Plan Consultants, Inc. Provisions are made and amended as necessary by the Town. Employees may contribute up to the IRS limits through an IRS section 457 plan. The Town will match an eligible employee's contribution up to 6% of their base salary.

For further information on the plans, please refer to Appendix A under the Town of Stafford's "Notes to Financial Statements, Note 4", herein.

The information included in the pension disclosure section relies on information produced by the pension plans and their independent accountants and actuaries. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans. Actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.

OTHER POST-EMPLOYMENT BENEFITS

Based on an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Stafford, in accordance with various collective bargaining agreements. The Plan does not issue a separate financial statement.

The following reflects the results of an actuarial report of Post-Employment Benefits as of January 1, 2017:

GASB 45 Valuation	Employees
Actuarial Accrued Liability (AAL).....	\$3,609,300
Annual OPEB Cost for Fiscal Year 2017..	\$390,400
Actual Contributions.....	(\$17,000)
Increase in Net OPEB Obligation.....	\$407,400
Net OPEB Obligation End of Year 2016....	\$1,897,900
Net OPEB Obligation End of Year 2017....	\$2,305,300

For further information on other post-employment benefits, please refer to Appendix A under the Town of Stafford's "Notes to Financial Statements, Note 4", herein.

INVESTMENT POLICIES AND PRACTICES

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

The investment practices of the Town of Stafford are in compliance with the Connecticut General Statutes.

GENERAL FUND REVENUES AND EXPENDITURES
Summary of Audited Revenues and Expenditures
(GAAP Basis)

	Adopted Budget 2018-19 ¹	Budget 2017-18 ¹	Actual 2016-17	Actual 2015-16	Actual 2014-15	Actual 2013-14	Actual 2012-13
REVENUES:							
Property Taxes.....	\$26,777,715	\$26,384,809	\$26,671,383	\$25,944,840	\$26,295,285	\$25,436,394	\$24,514,358
Intergovernmental Revenues.....	11,211,066	11,309,570	16,614,854	14,705,231	14,075,480	14,681,202	14,192,045
Local Sources.....	1,801,305	1,641,850	1,556,831	1,657,669	1,242,091	1,385,217	1,540,247
Other.....	320,000	350,000				136,976	147,654
Investment Income.....	30,000	25,000	39,483	15,320	11,922	12,848	16,043
Transfers In.....	477,000	912,000	6,824,141 ¹¹	7,614,965 ⁹	5,668,685 ⁷	5,782,029 ⁵	1,847,559
Use of Fund Balance.....	0	0					7,326,136 ³
Total Revenues and Transfers In.....	\$40,617,086	\$40,623,229	\$51,706,692	\$49,938,025	\$47,293,463	\$47,434,666	\$49,584,042
EXPENDITURES:							
General Government.....	\$4,006,317	\$3,952,882	\$3,647,046	\$3,969,009	\$3,890,639	\$4,117,343	\$3,392,851
Public Safety.....	1,998,493	1,978,351	1,958,632	1,780,213	1,714,626	1,632,048	1,284,932
Health.....	701,122	752,807	705,106	652,956	582,764	565,464	536,520
Public Works.....	2,197,550	2,260,491	2,020,924	1,610,947	1,645,057	2,034,940	2,206,769
Parks and Recreation.....	804,785	780,225	706,714	721,672	589,106	529,864	487,347
Sundry.....	371,900	376,225	849,277	854,932	779,814	788,125	896,555
Planning and Zoning.....		5,915	5,343	2,351	3,133	2,012	840
Library.....	542,109	538,183					
Education.....	27,659,000	27,659,000	31,763,071	29,837,976	29,723,966	29,246,051	28,209,133
Debt Service.....	2,200,810	2,184,150	2,481,628	7,513,722 ¹⁰	7,749,871 ⁸	2,002,224	1,780,155
Capital Outlay.....			50,731	423,986	259,520		
Transfers Out.....	135,000	135,000	6,919,507 ¹²	2,045,000	180,552	5,639,500 ⁶	9,060,000 ⁵
Total Expenditures and Transfers Out.....	\$40,617,086	\$40,623,229	\$51,107,979	\$49,412,764	\$47,119,048	\$46,557,571	\$47,855,102
Operating Results.....		¹³	\$598,713	\$525,261	\$174,415	\$877,095	\$1,728,940
Fund Balance, July 1.....			\$6,770,780²	\$6,220,172²	\$6,007,634²	\$4,869,962²	\$3,081,590
Fund Balance, June 30.....			\$7,369,493	\$6,745,433	\$6,182,049	\$5,747,057	\$4,810,530

¹ Budgetary basis.

² Adjusted from previous year.

³ Includes \$5,130,000 in Bond Proceeds, \$1,635,000 in Note Proceeds and \$561,136 in premium on the Bonds and Notes.

⁴ Includes Retirement of Notes for \$8,110,000.

⁵ Includes \$5,535,000 in Note Proceeds and \$37,029 in premium on the Notes.

⁶ Includes Retirement of Notes for \$1,635,000.

⁷ Includes \$5,500,000 in Note Proceeds, \$117,944 in issuance of capital leases and \$43,945 premium on the Notes.

⁸ Includes retirement of Notes of \$5,535,000.

⁹ Includes \$7,080,000 in long-term debt; \$226,972 in capital leases and \$74,862 premium on financing.

¹⁰ Includes retirement of Notes of \$5,170,000.

¹¹ Includes \$5,990,000 in Note Proceeds and \$51,659 in premium on the Notes.

¹² Includes retirement of Notes of \$6,490,000.

¹³ Town Officials anticipate that revenues and transfers will break even with expenditures and transfers out.

Source: Audit Reports 2013-2017; Budgets 2018 and 2019.

ANALYSIS OF GENERAL FUND EQUITY
(GAAP BASIS)

	Adopted Budget 2018-19	Budget 2017-18	Actual 2016-17	Actual 2015-16	Actual 2014-15	Actual 2013-14	Actual 2012-13
Restricted.....			\$13,086	\$25,347			
Committed.....	N/A	N/A				\$1,133,353	\$1,298,913
Assigned.....			991,288	988,270	\$1,099,512	250,211	229,668
Unassigned.....	N/A	N/A	6,365,119	5,731,816	5,082,537	4,363,493	3,281,949
Total Fund Balance.....	N/A	N/A	\$7,369,493	\$6,745,433	\$6,182,049	\$5,747,057	\$4,810,530
Unassigned Fund Balance							
As % of Total Expenditures.....			12.45%	11.60%	10.79%	9.37%	6.86%

Source: Audit Reports 2013-2017; Budgets 2018 and 2019.

VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS

As of August 1, 2018
(Pro Forma)

Long-Term Debt: Bonds

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding 8/1/2018</u>	<u>Date of Fiscal Year Maturity</u>
<u>General Purpose</u>					
08/01/12	General Improvements.....	2.15	\$550,000	\$50,000	2020
08/01/18	General Improvements.....	3.20	682,500	682,500	2036
	Total		\$1,232,500	\$732,500	
<u>Schools</u>					
08/01/12	School Improvements.....	2.15	4,580,000	2,600,000	2027
08/01/12	School Improvements Refunding.....	2.15	4,100,000	2,540,000	2026
08/01/18	School Improvements.....	3.20	682,500	682,500	2036
	Total		\$9,362,500	\$5,822,500	
<u>Sewers</u>					
07/30/10	Wastewater Treatment Plant Upgrade USDA.	3.25	6,566,000	5,376,651	2041
08/01/18	Sewer & Wastewater Improvements.....	3.20	3,425,000	3,425,000	2038
	Total		\$9,991,000	\$8,801,651	
	Total Long-Term Debt.....		\$20,586,000	\$15,356,651	

Short-Term Debt:

<u>Project</u>	<u>Bonding Authorization</u>	<u>Previously Bonded</u>	<u>Grants/ Paydowns</u>	<u>Notes Maturing 8/1/2018</u>	<u>Notes This Issue</u>	<u>Legal Renewable Limit</u>
Inflow & Infiltration Analysis Study....	\$675,000	\$0	\$184,285	\$471,000	\$435,000	8/6/23

Other Commitments:

On May 21, 2015 the Town entered into a lease obligation to finance a Geothermal and Solar Power Project for the complete replacement of the existing heating/cooling systems with solar and geothermal systems. The Project includes most of the Town's municipal and school buildings. It is anticipated that the solar and geothermal system, once fully completed, will significantly reduce the Town's purchase of electricity from Eversource Energy, the local electric utility. The \$17.0 million lease is for a 15 year term at an interest rate of 2.335%; the annual principal and interest payments are \$1,371,893 and began on November 21, 2016 when the Town made the first payment in full on that date. The Town made the second payment in full on November 21, 2017. The lease payments are subject to annual appropriation of funds. The Town is receiving a Zero-Emission Renewable Energy Credit (ZREC) under the State of Connecticut ZREC Program. Such ZERC income commenced in the third quarter of 2016. The ZREC income and other savings from the project will help to reduce the Town's net cost of the project.

SCHOOL BUILDING GRANT REIMBURSEMENTS

Pursuant to Section 10-287i of the Connecticut General Statutes, as amended, for all school building projects approved after July 1, 1996, the State provides proportional progress payments during construction for the State's share of the eligible construction costs. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

ANNUAL BONDED DEBT MATURITY SCHEDULE ¹

As of August 1, 2018

(Pro Forma)

Fiscal Year Ending 6/30	Principal²	Interest	Total	This Issue	Cumulative Percent Retired
2019	\$915,832	\$399,481	\$1,315,313		5.63
2020	911,222	364,291	1,275,513	\$240,000	12.70
2021	866,787	330,126	1,196,913	240,000	19.50
2022	872,532	296,781	1,169,313	240,000	26.34
2023	878,464	263,249	1,141,713	240,000	33.21
2024	879,590	229,623	1,109,213	240,000	40.09
2025	885,914	195,899	1,081,813	240,000	47.01
2026	892,443	161,970	1,054,413	240,000	53.97
2027	539,185	136,653	675,838	240,000	58.76
2028	221,146	124,817	345,963	240,000	61.60
2029	228,334	117,629	345,963	240,000	64.47
2030	235,754	110,209	345,963	240,000	67.40
2031	243,416	102,547	345,963	240,000	70.37
2032	251,327	94,636	345,963	240,000	73.39
2033	259,496	86,467	345,963	240,000	76.46
2034	267,929	78,034	345,963	240,000	79.58
2035	276,637	69,326	345,963	240,000	82.75
2036	285,628	60,335	345,963	240,000	85.98
2037	294,910	51,053	345,963	240,000	89.27
2038	304,495	41,468	345,963	235,000	92.59
2039	314,391	31,572	345,963	235,000	95.96
2040	324,609	21,354	345,963		97.96
2041	332,441	13,522	345,963		100.00
Totals	\$11,482,482	\$3,381,042	\$14,863,524	\$4,790,000	

¹ Excludes capital lease obligations.

² Includes \$915,832 in principal payments made in the current 2018-2019 fiscal year.

OVERLAPPING/UNDERLYING DEBT

The Town of Stafford has no overlapping or underlying indebtedness.

DEBT STATEMENT¹

As of August 1, 2018

(Pro Forma)

LONG TERM DEBT

Bonds (including this issue) :

General Purpose	\$732,500
Schools	5,822,500
Sewer Bonds.....	<u>8,801,651</u>

TOTAL LONG TERM DEBT..... \$15,356,651

SHORT TERM DEBT

Notes (including this issue) \$435,000

TOTAL DIRECT DEBT..... \$15,791,651

Less:

Sewer Assessments Receivable²..... 124,408

TOTAL NET DIRECT DEBT..... \$15,667,243

OVERLAPPING/UNDERLYING DEBT..... 0

TOTAL OVERALL NET DEBT..... \$15,667,243

¹ Excludes capital leases.

² Represents Sewer Assessments receivable at June 30, 2017.

CURRENT DEBT RATIOS

August 1, 2018

(Pro Forma)

Population ¹	11,758
Net Taxable Grand List - 10/1/17 @ 70% of full value.....	\$781,301,453
Estimated Full Value.....	\$1,116,144,933
Equalized Net Taxable Grand List - 2015 ²	\$1,101,222,496
Money Income per Capita - 2016 ³	\$31,606

	Total Direct Debt \$15,791,651	Total Net Direct Debt \$15,667,243	Total Overall Net Debt \$15,667,243
Per Capita.....	\$1,343.06	\$1,332.48	\$1,332.48
Ratio to Net Taxable Grand List.....	2.02%	2.01%	2.01%
Ratio to Estimated Full Value.....	1.41%	1.40%	1.40%
Ratio to Equalized Grand List.....	1.43%	1.42%	1.42%
Debt per Capita to Money Income per Capita..	4.25%	4.22%	4.22%

¹ Connecticut Department of Public Health, Population Estimate 2016.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2012-2016 American Community Survey.

BOND AUTHORIZATION

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes subject to statutory debt limitations. Under the Connecticut General Statutes, bond and note issues are authorized by the Town Meeting upon the recommendation of the Board of Selectmen and the Board of Finance, except for refunding bonds, which only need to be approved by the Board of Selectmen.

TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and

payable and the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

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

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment.

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

LIMITATION OF INDEBTEDNESS

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

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

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base") are defined as total tax collections including interest, penalties and late payment of taxes and state payments for revenue loss under CGS Sections 12-129d and 7-528.

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

STATEMENT OF STATUTORY DEBT LIMITATION ¹

As of August 1, 2018

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees)

received by the Treasurer for the year ended June 30, 2017..... \$26,671,383

REIMBURSEMENT FOR REVENUE LOSS ON:

Tax Relief for Elderly..... 90,994

BASE..... \$26,762,377

DEBT LIMITATION:	General Purposes	Schools	Sewers	Urban Renewal	Pension
2¼ times base.....	\$60,215,348				
4½ times base.....		\$120,430,697			
3¾ times base.....			\$100,358,914		
3¼ times base.....				\$86,977,725	
3 times base.....					\$80,287,131
Total debt limitation.....	<u>\$60,215,348</u>	<u>\$120,430,697</u>	<u>\$100,358,914</u>	<u>\$86,977,725</u>	<u>\$80,287,131</u>

INDEBTEDNESS:

Bonds Payable (including this issue)	\$732,500	\$5,822,500	\$8,801,651	\$0	\$0
Notes Payable (including this issue)	0	0	435,000		
Authorized but Unissued Debt.....	<u>58,500</u>	<u>503,808</u>	<u>2,707,240</u>		
TOTAL DIRECT INDEBTEDNESS..	\$791,000	\$6,326,308	\$11,943,891	\$0	\$0

Less:

Sewer Assessments.....			<u>\$124,408</u> ²		
TOTAL NET INDEBTEDNESS.....	\$791,000	\$6,326,308	\$11,819,483	\$0	\$0

DEBT LIMITATION IN EXCESS

OF OUTSTANDING AND

AUTHORIZED DEBT..... **\$59,424,348** **\$114,104,389** **\$88,539,431** **\$86,977,725** **\$80,287,131**

¹ Excludes capital leases.

² Represents Sewer Assessments receivable at June 30, 2017.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$187,336,639.

AUTHORIZED BUT UNISSUED DEBT

As of August 1, 2018

(Pro Forma)

Project	Authorized	Prior Bonds	Paydowns/ Grants	These Bonds	These Notes	Debt Authorized but Unissued			
						General Purpose	Schools	Sewers	Total
New Elementary School and High School Additions and Renovations.....	\$49,000,000	\$12,080,000	\$36,474,692				\$445,308		\$445,308 ¹
Wastewater Treatment Plant Upgrade ²	15,440,000	6,566,000	5,715,475	\$561,000				\$2,597,525	2,597,525
Sewer System Pump Station Upgrade.....	1,370,000		360,000	955,000				55,000	55,000
Energy Improv. In Town & School Facilities.....	2,082,000		600,000	1,365,000		\$58,500	58,500		117,000
Inflow & Infiltration Analysis Evaluation Study.....	675,000		185,285		435,000			54,715	54,715
Totals.....	\$68,567,000	\$18,646,000	\$43,335,452	\$2,881,000	\$435,000	\$58,500	\$503,808	\$2,707,240	\$3,269,548

¹ The Town does not anticipate any further financings for this project.

² This project was funded with the proceeds of a \$6,566,000 loan and a grant of \$5,333,000 from the USDA, Rural Development.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT
Last Fiscal Five Years – As of June 30

Long-Term Debt	2018 Est.	2017	2016	2015	2014	2013
Bonds.....	\$11,482,483	\$12,578,095	\$13,748,651	\$14,919,311	\$16,255,231	\$17,616,556
Short-Term Debt						
Bond Anticipation Notes.	5,518,000	5,990,000	7,080,000 ¹	5,500,000	5,535,000	1,635,000
Totals	\$17,000,483	\$18,568,095	\$20,828,651	\$20,419,311	\$21,790,231	\$19,251,556

¹Includes \$1,910,000 General Obligation Bank Loan.

Source: Annual Audited Financial Statements 2013-2017, Estimate 2018.

RATIO OF DIRECT OVERALL DEBT TO VALUATION, POPULATION AND INCOME ¹

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt¹	Ratio of Direct Debt to Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%)³
2018 Est.	\$777,532,862	\$1,110,761,231	\$17,000,483	2.19%	1.53%	11,758	\$1,445.87	4.57%
2017	769,839,879	1,099,771,256	18,568,095	2.41%	1.69%	11,758	1,579.19	5.00%
2016	769,272,354	1,098,960,506	20,828,651	2.71%	1.90%	11,758	1,771.45	5.60%
2015	765,752,279	1,093,931,827	20,419,311	2.67%	1.87%	11,837	1,725.04	5.46%
2014	764,485,295	1,092,121,850	21,790,231	2.85%	2.00%	11,881	1,834.04	5.80%
2013	762,963,420	1,089,947,743	19,251,556	2.52%	1.77%	11,928	1,613.98	5.11%

¹ Does not reflect State of Connecticut School Construction and interest subsidy grants, and sewer assessments applied to the retirement of the outstanding debt.

² State of Connecticut, Department of Health Services Estimate 2013-2016.

³ Income per Capita: \$31,606, U.S. Census Bureau, 2012-2016 American Community Survey.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
TO TOTAL GENERAL FUND EXPENDITURES**

Fiscal Year Ended 6/30	Total Annual Debt Service Expenditures	Total General Fund Expenditures	Ratio of General Fund Debt Service to Total General Fund Expenditures %¹
2018 Est.	2,184,150	\$40,623,229	5.38%
2017	2,481,628	51,107,979	4.86%
2016	2,343,722	49,412,764	4.74%
2015	2,195,610	47,119,048	4.66%
2014	2,002,224	46,557,571	4.30%
2013	1,780,155	47,855,102	3.72%

¹ Does not include sewer assessments applied towards repayment of outstanding bonds.

Source: Annual Audited Financial Statements 2013-2017, Estimate 2018.

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

VII. LEGAL AND OTHER LITIGATION

LITIGATION

The Town of Stafford, its officers, employees, boards and commissions, are defendants in a number of lawsuits. The Town Attorney is of the opinion that pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would have a materially adverse effect upon its financial position.

MUNICIPAL ADVISOR

The Town has retained Hilltop Securities Inc. (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds and Notes. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds and Notes is contingent upon the issuance and delivery of the Bonds and Notes, and receipt by the Town of payment therefor. The Town may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond and Note proceeds.

TRANSCRIPT AND CLOSING DOCUMENTS

Upon the delivery of the Bonds and Notes, the original purchaser(s) will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and Notes or the levy or collection of taxes to pay the principal of and interest on the Bonds and Notes.
2. A Certificate signed on behalf of the Town by the First Selectman, Treasurer and Chief Financial Officer, which will be dated the date of delivery of the Bonds and Notes, and attached to a signed copy of the Official Statement certifying that to the best of said officials knowledge and belief, that on the date thereof and at the time the bids were accepted, the descriptions and statements in the Official Statement relating to the Town of Stafford 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. Receipts for the purchase price of the Bonds and Notes.
4. Approving opinions of Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut for the Bonds and Notes substantially in the forms of Appendices B-1 and B-2 attached hereto.
5. Continuing Disclosure Agreements for the Bonds and Notes substantially in the forms of Appendices C-1 and C-2 attached hereto.
6. The Town of Stafford has prepared an Official Statement for the Bond and Note issue which is dated July 24, 2018. The Town deems such Official Statement as of its date for purposes of SEC Rule 15c2-12 (b)(5), but it is subject to revision or amendment. The Town will make available to the winning purchaser(s) of the Bonds 100 copies and the Notes 25 copies of the Official Statement at the Town's expense within seven business days of the bid opening. Additional copies may be obtained by the purchaser(s) at its own expense by arrangement with the printer.

A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank National Association, 225 Asylum Street, 23rd Floor, Hartford, Connecticut and will be available for examination upon reasonable request.

CONCLUDING STATEMENT

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of any of the Bonds and Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

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

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

TOWN OF STAFFORD, CONNECTICUT

By: /s/ Mary Mitta

Mary Mitta, *First Selectman*

By: /s/ Lisa G. Baxter

Lisa G. Baxter, *Chief Financial Officer*

By: /s/ Neil Hoss

Neil Hoss, *Treasurer*

Dated as of July 24, 2018

APPENDIX A – BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Appendix A - Basic Financial Statements - is taken from the Annual Report of the Town of Stafford for the Fiscal Year ended June 30, 2017 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Treasurer's Office, Town of Stafford, Connecticut.

O'Connell, Pace, & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

FACSIMILE: (860) 549-1804
E-MAIL: oconnells@opccpa.com

609 FARMINGTON AVENUE
SUITE 201
HARTFORD, CT 06105-3063
(860) 247-3917

Walter F. O'Connell, C.P.A.
Mario Pace, C.P.A.
Albert Celentano, C.P.A.

To the Members of the Board of Finance
Town of Stafford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pomfret, Connecticut as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Stafford, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 57-60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stafford, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the Town of Stafford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Stafford, Connecticut's internal control over financial reporting and compliance.

O'Connell, Pace, & Company PC

O'CONNELL, PACE & COMPANY, P.C.
Certified Public Accountants
Hartford, CT

March 30, 2018

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of the Town of Stafford's (the "Government") financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Increase in Net Position of \$829,854 can be attributable to mainly to the savings in electricity and ZREC revenue of the Utility fund, that is included in governmental activities.
- The Decrease in Fund balance for the Total governmental funds in Exhibit 4 is due to the Combined Utility Capital project expenditures as well as the Combined Utility Project expenditures. The BAN funding was received in February 2016; therefore, the revenue was included in the Statement for June 30, 2016. The Bond Anticipation Note for the Combined Utility Project was received in February 2016; therefore, the revenue was included in the Statement for June 30, 2016.
- On a budgetary basis, the Town's revenues exceeded the expenditures by \$685,469.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the Government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net position* and changes in them. You can think of the Government's net position—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- Business-type activities—The Government charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Government's Water Pollution Control Authority's operations are reported here.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Government's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the Government charges customers for the services it provides—whether to outside customers or to other units of the Government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Government's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Statement 11. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$1,081,275 from a year ago—*increasing* from \$92,880,266 to \$93,961,341. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	18,421,917	22,054,409	1,696,264	1,549,266	20,118,181	23,603,675
Capital Assets	121,313,788	119,175,291	1,482,437	1,359,459	122,796,225	120,534,750
Deferred Outflows	1,764,500	2,566,400	53,505	78,484	1,818,005	2,644,884
Total Assets	141,500,205	143,796,100	3,232,206	2,987,209	144,732,411	146,783,309
Deferred Inflows	756,105	994,968	67,516	101,087	823,621	1,096,055
Long-term liabilities outstanding	47,360,896	49,525,388	245,307	248,526	47,606,203	49,773,914
Other liabilities	2,268,533	2,990,927	67,516	42,347	2,336,049	3,033,274
Total Liabilities	50,385,534	53,511,283	380,339	391,960	50,765,873	53,903,243
Net position:						
Invested in capital assets, net of related debt	85,334,727	80,754,424	1,482,437	1,359,459	86,817,164	82,113,883
Restricted for:						
Expendable	3,293,717	4,627,502	0	0	3,293,717	4,627,502
Nonexpendable	199,947	188,280	0	0	199,947	188,280
Unrestricted	2,286,280	4,714,611	1,364,233	1,235,790	3,650,513	5,950,401
Total Net Position	91,114,671	90,284,817	2,846,670	2,595,249	93,961,341	92,880,066

Current assets for governmental activities decreased by \$3,614,626, this is mainly due to the Solar/Geo-Thermal Project expenses as well as the Combined Utility Project expenditures of 2,448,275 included in exhibit 4 and statement 6 of the financial statements.

Capital assets for the governmental activities increased by \$2,138,497 which is the net effect of the Construction in progress on the Solar/Geo-Thermal and Combined Utility projects and the Combined Utility project as well as depreciation on the capital assets.

The Business-Type Activities increase in current assets is attributable to the increase fees and user charges. The increase has allowed the Water Pollution Control Authority to have an operating profit for the past three years of \$251,421, \$327,802 and \$206,472 respectively.

The decrease in Total liabilities of \$3,125,749 is due to the receipt of a State Grant for \$500,000, as well as savings in completion of projects that has been used to paid down debt. This relates to the Combined Utility project that allowed the Town to install the Water line up to the new Woodland Springs housing development as well as Middle River Drive as well as other energy improvement projects that have been completed.

The decrease in governmental activities restricted net position of \$1,333,785 is due to the project mentioned above. Also, the decrease in unrestricted net position of \$2,410,465 is primarily due to the decrease in pension and other postemployment benefits of \$926,224.00 as well as the internal service fund net income of \$420,792 included in Exhibit 4a.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Service	3,929,385	2,938,098	1,587,540	1,633,309	5,516,925	4,571,407
Operating Grants and Contributions	17,206,864	16,846,611	0	0	17,206,864	16,846,611
Capital Grants and Contributions	20,179	0	0	0	20,179	0
	21,156,428	19,784,709	1,587,540	1,633,309	22,743,968	21,418,018
General Revenues						
Property Taxes	26,007,863	25,690,961	0	0	26,007,863	25,690,961
Other Taxes	0	377,087	0	0	0	377,087
Investment Earnings	101,882	(14,590)	3,274	2,145	105,156	(12,445)
Grants & Contributions-unrestricted	1,554,144	0	0	0	1,554,144	0
Other	111,284	74,862	0	0	111,284	74,862
Special Revenues:						
Net Unrealized Gain (Loss) on Stocks	107,351	0	0	0	107,351	0
Total Revenues	49,038,952	45,913,029	1,590,814	1,635,454	50,629,766	47,548,483
Expenses:						
General Government	5,144,640	4,605,028	0	0	5,144,640	4,605,028
Public Safety	1,899,320	1,915,156	0	0	1,899,320	1,915,156
Public Works	2,980,583	2,751,295	0	0	2,980,583	2,751,295
Social Services and Health	720,847	622,683	0	0	720,847	622,683
Parks and Recreation	720,633	775,275	0	0	720,633	775,275
Planning and Zoning	5,343	2,351	0	0	5,343	2,351
Sundry	1,038,981	1,142,911	0	0	1,038,981	1,142,911
Education	35,137,976	33,679,894	0	0	35,137,976	33,679,894
Interest on Long-Term Debt	560,775	1,058,405	0	0	560,775	1,058,405
Sewer	0	0	1,339,393	1,307,652	1,339,393	1,307,652
Total Expenses	48,209,098	46,552,998	1,339,393	1,307,652	49,548,491	47,860,650
Increase(Decrease) in Net Position	829,854	(639,969)	251,421	327,802	1,081,275	(312,167)

Increase in Operating Grants of \$360,253 is based on \$352,078 security grant received.

Increase in Education of \$1,458,082 is mainly due to the increase in the State of Connecticut contributions on behalf of the Town of Stafford of \$1,822,451.

THE GOVERNMENT'S FUNDS

In Exhibit 4 the Town actually has a decrease in the change of total governmental funds of in general fund balance of \$2,250,809. The difference between exhibit 4 decrease and the governmental Activities increase of \$829,854 is attributable to the accounting for Capital Assets, Certain Revenues as well as long term liabilities as detailed in exhibit 4a.

In addition, these other changes in fund balances should be noted:

- The Town had an increase in Total Revenue of \$3,129,923. Grant revenue increased by \$360,253 and local sources revenue increased \$991,287.
- The Net Change in Fund Balance for the General Fund was an increase \$598,713 compared to \$525,261 last year.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- The decrease in Total Governmental Funds of \$2,250,809 is due mainly to the expenditures for the Solar/Geo-Thermal Project and Combined Utility Project.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

	Final		
Revenues	Budget	Actual	Variance
Property Taxation	\$ 26,851,896	\$ 26,671,383	\$ (180,513)
Intergovernmental - Other	1,945,850	1,952,587	6,737
Local Sources	1,379,900	1,546,223	166,323
Investment Income	25,000	38,403	13,403
Intergovernmental - Education	9,874,663	9,824,388	(50,275)
Tuition received	27,500	8,607	(18,893)
Grants	-	40,987	40,987
Other Financing Sources	437,425	7,161,566	6,724,141
Total Revenues	40,542,234	47,244,144	6,701,910
Expenditures			
General Government	3,706,625	3,612,953	93,672
Public Safety	2,038,938	1,953,045	85,893
Health	824,539	748,300	76,239
Highways and Bridges	2,188,360	1,945,239	243,121
Parks and Recreation	741,807	705,177	36,630
Planning and Zoning	6,983	5,343	1,640
Sundry	377,170	329,976	47,194
Education	27,373,424	27,316,815	56,609
Stafford Public Library	530,260	520,692	9,568
Debt Service	2,182,064	2,481,628	(299,564)
Other Financing Uses	420,008	6,939,507	(6,519,499)
Total Expenditures	40,390,178	46,558,675	(6,168,497)
Increase (Decrease) in Fund Balance	\$ 152,056	\$ 685,469	\$ 533,413

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Significant variances are summarized as follows:

- The variance in the local sources revenue is due mainly to the charges for family services as well as increased Town Clerk Fees.
- The variance in Highways and Bridges is mainly due to unavailability of the LOCIP grant estimated by the State of Connecticut of \$111,207. The funds were frozen in December 2016 and were recently released in November 2017.
- The savings in public safety are mainly due to overtime grants were not utilized and reduction in the number of Resident Troopers provided by the State.
- The Board of Education had a savings of \$56,609.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$121,313,788 invested governmental activity capital assets. This amount represents a net increase (including additions and deductions) of \$2,138,497 from last year. This is primarily due to construction in process on the Combined Utility Project. More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had \$18,568,098 in bonds and notes outstanding. This is a decrease of \$2,260,553 from last year. The Government's general obligation bond rating continues to carry an A1 rating. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates which included transfers from various funds to minimize the impact on taxpayers.

The State of Connecticut's Office of Policy and Management ("OPM") has adopted a new law that could possibly affect the Government's budgets in subsequent years. The motor vehicle mill rate will be capped at 37 mills in fiscal-year 2017 and 37 mills in fiscal-year 2018 and annually thereafter. The Towns current mill rate for 17-18 is 33.93.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Stafford, 1 Main Street, Stafford Springs, CT 06076.

TOWN OF STAFFORD, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
YEAR ENDING JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and equivalents	\$ 12,188,927	\$ 1,936,981	\$ 14,125,908
Investments	777,016	-	777,016
Restricted cash and equivalents	85,286	-	85,286
Receivables			
Taxes, net	1,524,662	-	1,524,662
Accounts	579,340	-	579,340
Usage	-	155,003	155,003
Interest	-	91,729	91,729
Loans	2,391,887	-	2,391,887
Intergovernmental	248,648	-	248,648
Special assessments	124,408	-	124,408
Internal balances	488,483	(487,449)	1,034
Deposit on equipment lease	1,593	-	1,593
Prepays	11,667	-	11,667
Capital assets			
Nondepreciable	34,069,702	-	34,069,702
Depreciable, net of accumulated depreciation	87,244,086	1,482,437	88,726,523
Total Assets	<u>139,735,705</u>	<u>3,178,701</u>	<u>142,914,406</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference in projected and actual earnings - pension	816,846	25,006	841,852
Change in assumptions - pension	930,983	28,499	959,482
Deferred charge on refunding	16,671	-	16,671
Total Deferred Outflows of Resources	<u>1,764,500</u>	<u>53,505</u>	<u>1,818,005</u>
LIABILITIES			
Accounts payable	1,218,954	67,516	1,286,470
Accrued payroll and related	44,723	-	44,723
Accrued interest payable	752,856	-	752,856
Risk management claims payable	252,000	-	252,000
Unearned revenues	731,864	71,971	803,835
Non-current liabilities			
Due within one year	7,578,087	-	7,578,087
Due in more than one year	39,782,809	245,307	40,028,116
Total Liabilities	<u>50,361,293</u>	<u>384,794</u>	<u>50,746,087</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual experience - pension	24,241	742	24,983
Total Deferred Inflows of Resources	<u>24,241</u>	<u>742</u>	<u>24,983</u>
NET POSITION			
Net investment in capital assets	85,334,727	1,482,437	86,817,164
Restricted			
Expendable	3,293,717	-	3,293,717
Nonexpendable	199,947	-	199,947
Unrestricted	2,286,280	1,364,233	3,650,513
Total Net Position	<u>\$ 91,114,671</u>	<u>\$ 2,846,670</u>	<u>\$ 93,961,341</u>

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
Governmental activities							
General government	\$ 5,144,640	\$ 367,618	\$ -	\$ -	\$ (4,777,022)	\$ -	\$ (4,777,022)
Public safety	1,899,320	636,819	43,465	20,179	(1,198,857)	-	(1,198,857)
Health and social services	720,847	457,420	105,670	-	(157,757)	-	(157,757)
Public works	2,980,583	1,156,452	470,319	-	(1,353,812)	-	(1,353,812)
Parks and recreation	720,633	62,577	-	-	(658,056)	-	(658,056)
Planning and zoning	5,343	-	-	-	(5,343)	-	(5,343)
Sundry	1,038,981	106,054	504,000	-	(428,927)	-	(428,927)
Education	35,137,976	1,142,445	16,083,410	-	(17,912,121)	-	(17,912,121)
Interest on long-term debt	560,775	-	-	-	(560,775)	-	(560,775)
Total Governmental Activities	\$ 48,209,098	\$ 3,929,385	\$ 17,206,864	\$ 20,179	(27,052,670)	-	(27,052,670)
Business-type activities							
Sewer	1,339,393	1,587,540	-	-	-	248,147	248,147
Total Business-type Activities	1,339,393	1,587,540	-	-	-	248,147	248,147
Total Primary Government	\$ 49,548,491	\$ 5,516,925	\$ 17,206,864	\$ 20,179		248,147	(26,804,523)
General Revenues							
Property Taxes, payments in lieu of taxes, interest and liens					26,007,863		26,007,863
Grants and contributions not restricted to specific programs					1,554,144		1,554,144
Unrestricted interest and investment earnings					101,882	3,274	105,156
Other general revenues					111,284		111,284
Special items							
Net unrealized gain on stock					107,351		107,351
Total General Revenues and Special Items					27,882,524	3,274	27,885,798
Change in Net Position					829,854	251,421	1,081,275
Net Position - Beginning of Year (Restated)					90,284,817	2,595,249	92,880,066
Net Position - End of Year					\$ 91,114,671	\$ 2,846,670	\$ 93,961,341

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

TOWN OF STAFFORD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2017

	General Fund	Educational Grant Fund	Small Cities Grants Fund	Geo-Thermal Solar Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Equivalents	\$ 6,440,099	\$ 152,758	\$ 158,886	\$ -	\$ 3,148,516	\$ 9,900,259
Investments	13,086	-	-	-	763,930	777,016
Restricted cash and equivalents	-	-	-	85,286	-	85,286
Taxes Receivable, Net of Allowance for Uncollectible Amounts	1,494,110	-	-	-	30,552	1,524,662
Other Receivables						
Accounts	187,940	-	-	-	391,400	579,340
Loans	-	-	2,391,887	-	-	2,391,887
Intergovernmental	152,516	34,867	-	-	61,265	248,648
Special assessments	-	-	-	-	124,408	124,408
Due from other funds	2,916,866	-	-	263,729	258,952	3,439,547
Deposit on equipment lease	1,593	-	-	-	-	1,593
Inventories	-	-	-	-	11,667	11,667
Total Assets	<u>\$ 11,206,210</u>	<u>\$ 187,625</u>	<u>\$ 2,550,773</u>	<u>\$ 349,015</u>	<u>\$ 4,790,690</u>	<u>\$ 19,084,313</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 865,315	\$ 12,909	\$ -	\$ 300,000	\$ 40,730	\$ 1,218,954
Accrued Payroll and Related	44,723	-	-	-	-	44,723
Due to other funds	1,021,154	186,737	24,793	-	2,329,408	3,562,092
Unearned revenues	711,027	-	-	-	20,837	731,864
Total Liabilities	<u>2,642,219</u>	<u>199,646</u>	<u>24,793</u>	<u>300,000</u>	<u>2,390,975</u>	<u>5,557,633</u>
Deferred Inflows of Resources						
Unavailable revenues	1,194,498	-	-	-	28,408	1,222,906
Total Deferred Inflows of Resources	<u>1,194,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,408</u>	<u>1,222,906</u>
Fund Balances (Deficits)						
Nonspendable	-	-	-	-	199,947	199,947
Restricted	13,086	-	2,525,980	49,015	665,719	3,253,800
Committed	-	-	-	-	894,425	894,425
Assigned	991,288	-	-	-	611,216	1,602,504
Unassigned	6,365,119	(12,021)	-	-	-	6,353,098
Total Fund Balances	<u>7,369,493</u>	<u>(12,021)</u>	<u>2,525,980</u>	<u>49,015</u>	<u>2,371,307</u>	<u>12,303,774</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,206,210</u>	<u>\$ 187,625</u>	<u>\$ 2,550,773</u>	<u>\$ 349,015</u>	<u>\$ 4,790,690</u>	<u>\$ 19,084,313</u>

See independent auditors' report

TOWN OF STAFFORD, CONNECTICUT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION – GOVERNMENT ACTIVITIES
YEAR ENDING JUNE 30, 2017

Fund Balances - Total Governmental Funds	\$ 12,303,774
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	121,313,788
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,647,696
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	16,671
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,222,906
Deferred outflows - difference between projected and actual earnings	816,846
Deferred outflow - change in assumptions	930,983
Deferred outflows - difference in expected and actual experience	(24,241)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(752,856)
Bonds payable	(47,264,834)
Premium on bonds	90,900
Capital lease obligations	87,169
Compensated absences	110,968
Pension obligations payable	22,301
Other post-employment benefits obligations payable	(407,400)
Net Position of Governmental Activities	\$ <u>91,114,671</u>

See independent auditors' report

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2017

	General Fund	Educational Grant Fund	Small Cities Grants Fund	Geo-Thermal Solar Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 26,671,383	\$ -	\$ -	\$ -	\$ 385,879	\$ 27,057,262
Intergovernmental	16,614,854	1,107,600	62,324	-	1,266,885	19,051,663
Local sources	1,556,831	121,592	85,016	-	1,214,828	2,978,267
Investment income	39,483	-	51	-	118,040	157,574
Total Revenues	<u>44,882,551</u>	<u>1,229,192</u>	<u>147,391</u>	<u>-</u>	<u>2,985,632</u>	<u>49,244,766</u>
EXPENDITURES						
Current						
General government	3,647,046	-	-	-	1,580,081	5,227,127
Public safety	1,958,632	-	-	-	21,883	1,980,515
Health and social services	705,106	-	-	-	-	705,106
Public works	2,020,924	-	-	-	645,434	2,666,358
Parks and recreation	706,714	-	-	-	52,899	759,613
Planning and zoning	5,343	-	-	-	-	5,343
Sundry	849,277	-	194,850	-	32,028	1,076,155
Education	31,763,071	1,314,820	-	-	629,289	33,707,180
Debt service	2,481,628	-	-	-	-	2,481,628
Capital outlay	50,731	-	-	868,194	1,519,284	2,438,209
Total Expenditures	<u>44,188,472</u>	<u>1,314,820</u>	<u>194,850</u>	<u>868,194</u>	<u>4,480,898</u>	<u>51,047,234</u>
Excess (deficiency) of Revenues Over Expenditures	<u>694,079</u>	<u>(85,628)</u>	<u>(47,459)</u>	<u>(868,194)</u>	<u>(1,495,266)</u>	<u>(1,802,468)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	782,482	-	-	300,000	129,507	1,211,989
Transfers out	(429,507)	-	-	-	(782,482)	(1,211,989)
Issuance of BANS	5,990,000	-	-	-	-	5,990,000
Payment on BANS	(6,490,000)	-	-	-	-	(6,490,000)
Premium on financing	51,659	-	-	-	-	51,659
Total Other Financing Sources (Uses)	<u>(95,366)</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>(652,975)</u>	<u>(448,341)</u>
Net Changes in Fund Balances	598,713	(85,628)	(47,459)	(568,194)	(2,148,241)	(2,250,809)
Fund Balances - Beginning of Year	<u>6,770,780</u>	<u>73,607</u>	<u>2,573,439</u>	<u>617,209</u>	<u>4,519,548</u>	<u>14,554,583</u>
Fund Balances - End of Year	<u>\$ 7,369,493</u>	<u>\$ (12,021)</u>	<u>\$ 2,525,980</u>	<u>49,015</u>	<u>\$ 2,371,307</u>	<u>\$ 12,303,774</u>

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

TOWN OF STAFFORD, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Change in Fund Balances - Total Governmental Funds	\$ (2,250,809)
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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 the estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	3,123,382
Depreciation expense	(1,908,067)
	1,215,315

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

Real Property taxes and other revenues in the General Fund	(1,049,399)
	(1,049,399)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt - bond anticipation notes	(5,938,341)
Premium on financing	(51,659)
Principal payments on long-term debt	8,329,371
Principal payments on capital leases	1,080,808
	3,420,179

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, including the change in

Accrued interest	81,482
Compensated absences	110,968
Pension and other post employment benefits asset/liability	(1,118,674)
	(926,224)

Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	420,792
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Change in Net Position of Governmental Activities	\$ 829,854
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The notes to the financial statements are an integral part of this statement.

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Sewer User Fund	Internal Service Fund
ASSETS		
Current assets		
Cash and equivalents	\$ 1,936,981	\$ 2,288,668
Receivables	-	-
Usage	155,003	-
Interest	91,729	-
Due from other funds	-	612,543
Total Current Assets	<u>2,183,713</u>	<u>2,901,211</u>
Noncurrent assets		
Capital assets		
Land improvements	541,500	-
Building and improvements	2,932,233	-
Machinery and equipment	1,492,393	-
Construction-in-progress	-	-
	<u>4,966,126</u>	<u>-</u>
Less - Accumulated depreciation	<u>(3,483,689)</u>	<u>-</u>
Total Capital Assets, net of accumulated depreciation	<u>1,482,437</u>	<u>-</u>
Total Assets	<u>3,666,150</u>	<u>2,901,211</u>
DEFERRED OUTFLOWS OF RESOURCES		
Difference in projected and actual earnings - pension	25,006	-
Change in assumptions - pension	28,499	-
Total Deferred Outflows of Resources	<u>53,505</u>	<u>-</u>
LIABILITIES		
Current liabilities		
Accounts payable	67,516	-
Due to other funds	487,449	1,515
Risk management claims payable	-	252,000
Total Current Liabilities	<u>554,965</u>	<u>253,515</u>
Noncurrent Liabilities		
Net pension obligation	<u>245,307</u>	<u>-</u>
Total Liabilities	<u>800,272</u>	<u>253,515</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes paid in advance	71,971	-
Difference in expected and actual experience - pension	742	-
Total Deferred Inflows of Resources	<u>72,713</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	1,482,437	-
Unrestricted	<u>1,364,233</u>	<u>2,647,696</u>
Total Net Position	<u>\$ 2,846,670</u>	<u>2,647,696</u>

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Sewer User Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 1,587,540	\$ -
Premiums	-	4,393,880
	<u>1,587,540</u>	<u>4,393,880</u>
Total Operating Revenues	<u>1,587,540</u>	<u>4,393,880</u>
OPERATING EXPENSES		
Salaries and benefits	693,335	-
Repairs, maintenance and rentals	178,377	-
Utilities	115,788	-
Supplies and materials	38,478	-
General and administrative	162,302	641,687
Claims	-	3,333,931
Depreciation	151,113	-
	<u>1,339,393</u>	<u>3,975,618</u>
Total Operating Expenses	<u>1,339,393</u>	<u>3,975,618</u>
Income from Operations	<u>248,147</u>	<u>418,262</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	3,274	2,530
Interest expense	-	-
Other non-operating expense - bad debt recovery	-	-
	<u>3,274</u>	<u>2,530</u>
Total Non-Operating Revenues (Expenses)	<u>3,274</u>	<u>2,530</u>
Change in Net Position	251,421	420,792
Net Position - beginning of Year	<u>2,595,249</u>	<u>2,226,904</u>
Net Position - End of Year	<u>\$ 2,846,670</u>	<u>\$ 2,647,696</u>

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Sewer User Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 1,620,943	\$ 3,880,625
Cash payments for operating expenses	655,649	(4,070,103)
Net Cash from Operating Activities	<u>965,294</u>	<u>(189,478)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES		
Lease payments	-	-
Capital Assets Purchased	(274,091)	-
Net Cash from Capital and Related Financing Activities	<u>(274,091)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	3,274	2,530
Net Increase in Cash and Equivalents	694,477	(186,948)
Cash and Equivalents - Beginning of Year	1,242,504	2,475,616
Cash and Equivalents - End of Year	<u>\$ 1,936,981</u>	<u>\$ 2,288,668</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 248,147	\$ 418,262
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	151,113	-
Change in net position obligation and related deferred outflows and inflows	20,013	-
Changes in operating assets and liabilities		
Accounts receivable	60,030	(513,255)
Due from other funds	-	1,515
Accounts payable	27,280	-
Due to other funds	485,338	-
Risk management claims payable	-	(96,000)
Taxes paid in advance	(26,627)	-
Net Cash from Operating Activities	<u>\$ 965,294</u>	<u>\$ (189,478)</u>

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDING JUNE 30, 2017

	<u>Pension Trust Fund s</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash	\$ -	\$ 84,475	\$ 217,825
Investments, at fair value	<u>14,827,265</u>	<u>-</u>	<u>6,636</u>
Total Assets	\$ <u>14,827,265</u>	\$ <u>84,475</u>	\$ <u>224,461</u>
LIABILITIES			
Due to Students and Others	\$ -	\$ 1,031	\$ 224,461
NET POSITION			
Restricted for pensions and other purposes	\$ <u>14,827,265</u>	\$ <u>83,444</u>	\$ -

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDING JUNE 30, 2017

	<u>Pension Trust Fund s</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions		
Employer	\$ 1,114,344	\$ -
Donations	<u>-</u>	<u>17,355</u>
Total Contributions	<u>1,114,344</u>	<u>17,355</u>
Investment income		
Net change in fair value of investments	1,269,477	-
Interest and dividends	<u>-</u>	<u>170</u>
Total Investment Income	<u>1,269,477</u>	<u>170</u>
Total Additions	<u>2,383,821</u>	<u>17,525</u>
DEDUCTIONS		
Pension benefits	918,329	-
Administrative fees	24,643	-
Sundry	<u>-</u>	<u>18,070</u>
Total Deductions	<u>942,972</u>	<u>18,070</u>
Change in Net Position	1,440,849	(545)
Net Position - Beginning of Year	<u>13,386,416</u>	<u>83,989</u>
Net Position - End of Year	\$ <u><u>14,827,265</u></u>	\$ <u><u>83,444</u></u>

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stafford, Connecticut ("Town") is a municipal corporation governed by a selectmen-town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The financial statements of the Town of Stafford, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. The more significant policies of the Town are described below.

A. FINANCIAL REPORTING ENTITY

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", have been considered and there are no agencies or entities which should be presented with this government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town as a whole. 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 Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

C. FUND FINANCIAL STATEMENTS

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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 enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds included the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

FUND CATEGORIES

- a. Governmental Funds – Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund – The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund. Consolidated in the General Fund are the following funds:

Compensation Fund – is used to fund future payments of unused vacation and sick time.

Town Hall Fund – is used to build a reserve for repairs on the Town Hall

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Zoning Subdivision Fund – is used for fees charged and technical services related for subdivision.

Excess Cost Grant Fund – is used for funding excess cost of Special Education tuition and transportation.

Blight Fund – is used to enforce ordinances regulating blight and state and local health, housing and safety codes and regulations.

Educational Grant Fund – The Educational Grant Fund is used to record all the grants and revenues received from the State of CT and expenditures relating to the Board of Education grants.

Small Cities Grants Fund – is used to provide loans to housing rehabilitation.

Geo-Thermal Solar Project Fund – is used to record the lease purchase capital project for large solar arrays and solar carports at various locations in town, as well as geo-thermal heating/cooling systems for Stafford Elementary School, Stafford Middle School, Stafford High School, and the Library.

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Dog Fund – is used to record revenue and expenses related to the Animal Control Officer for the Town of Stafford.

School Cafeteria Fund – is used to report sales and expenditures for the School cafeterias. The Board of Education covers the salary for the Food Service Director.

Town Aid Road Fund – is used for reporting the revenue and expenditures for use on improved and unimproved roads.

Sewer Assessment Fund – is used to record receipts for Sewer Phase II and Sewer Assessment Fund Route 190 West.

Town Commissions Fund – is used to record donations for use in various commissions, mainly the Arts Commission and Community and Civic Affairs Commissions. They both raise money through donations to hold functions for the Town. Examples are the summer concert services and other holiday events.

Preservation Management of Historic Documents Fund – is used to record revenue from the Town Clerk's office and grants from the State of CT to preserve historic documents.

Stafford Service District – is used for the additional taxes paid by the taxpayers located in the service district. Such services include lights, garbage and leaf pickup, sidewalks, etc.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Open Space Fund – is used for fees that were established by zoning regulations for the acquisition of open space.

W.H. Heald Trust Fund – is used for expenses at the High School Library.

Utility Fund – is used for the Zero Renewable Energy Credits (ZREC) revenues from selling power back to Eversource. These revenues as well as the savings in electricity and fuel oil are used to pay the lease payments related to the equipment.

The following are the Town's non-major capital project funds:

WPCF Upgrade Fund – is used to complete the upgrade on the Water Pollution Control Facility

Staffordville Dam Repair Fund – is used for repairs on the Staffordville Dam

Fire Department Equipment Fund – is used to record money received from the sale of Emergency equipment for future Emergency Services Equipment needs.

School Facilities Capital Improvement Fund – is used for current and future school projects and includes the Board of Educations' Unexpended funds account as a source of funding as well as Town funds necessary to complete projects.

Energy Improvements Fund – was used for town wide energy improvements as well as the SMS Boiler. The projects were completed as of June 30, 2017.

Sewer Inflow & Infiltration Fund – is used for the BAN proceeds for the WPCA Inflow and infiltration project.

Combined Utility Project Fund – is used for the combined utility project that will expand the sewer and water lines and may include natural gas line from Enfield.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The following are the Town's permanent funds:

A.H. Colton Fund – is used for maintaining a building in the “hollow” section of town for purposes of allowing people to congregate.

Hyde Park Fund – is used to maintain the Hyde Park located in downtown Stafford.

Orcutt Award Fund – is used to fund a scholarship to a male, graduating high school.

Stafford Cemetery Association Fund – is used to maintain the cemetery on Stafford Street

H.W. Lord Fund – is used by the local high school.

- b. Proprietary Funds – Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. Internal Service funds are used to account for those operations that provide services to the Town. The following are the Town's major proprietary funds:

Sewer User Fund – is used to account for the Town's Sewer system program

Internal Service Fund – is used to account for self- insured medical and dental benefits for the general government and Board of Education.

- c. Fiduciary Funds – (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust, Private Purpose Trust and Agency funds. The Pension Trust Funds are provided to account for the activities of the Town's Retirement system, which accumulates resources for the pension benefit payments to qualified Town employees upon retirement. The Private Purpose Trust Funds, including any earnings or invested resources, may be used to support the organization's activities. There is no requirement that any of these be preserved as capital. The Agency Funds are primarily utilized to account for monies held as custodian for outside groups and activities.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds, pension trust fund and private purpose trust funds. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCES

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the Bank's risk-based capital ratio.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAm by Standard & Poor. This is the highest rating for money market funds and investments pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Investments – The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy is to only allow investments in the following: (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. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

The Town follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments are stated at fair value.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships; infrastructure limited partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. 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 changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk – Credit risk is the risk that an issuer other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

Taxes Receivable – Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates(August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid with the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectible taxes of \$50,000 has been recorded net with taxes receivable as of June 30, 2017.

Other Receivables – Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Inventories – Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute “available spendable resources” even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Deferred Charges - Deferred charges in the government-wide financial statements represent the unamortized portion of the gain or loss on bond refundings. These costs are being amortized over the term of the respective bond issue.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Loans Receivable – Loans receivable, which are related to the Small Cities grant, are stated at their unpaid principal balance. Allowances are recorded when appropriate.

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 Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of 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.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land is considered inexhaustible and, therefore, not depreciated. Property, plant and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Buildings	50-100	\$ 5,000
Buildings improvements	20	5,000
Infrastructure	50	5,000
Vehicles and equipment	5-10	5,000

Unearned Revenues - unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow or resources (revenue) until that time.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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, and debt payments are reported as expenditures. Bond Anticipation Note payments are reported as other financing uses.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Compensated Absences – Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Position – Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance – Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balance the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The general Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. ENCUMBRANCES

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. USE OF ESTIMATES

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

H. SUBSEQUENT EVENTS EVALUATION BY MANAGEMENT

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 28, 2018.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

A. BUDGET BASIS

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

Teachers' Retirement – The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.

Encumbrances – Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts, all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

Other Funds – The income and expenditures from consolidated funds activities are not included in the General Fund budget, but are included in the General Fund reporting under Generally Accepted Accounting Principles. This includes the accounting for the Excess Cost Grant.

Long-Term Debt and Lease Financing – Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

Cash Basis Payroll – Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

B. BUDGET CALENDAR

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund function and activity, and includes information on the past , current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

C. BUDGET CONTROL

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to 20,000 to any appropriations. A town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

D. EXPENDITURES IN EXCESS OF BUDGET

During the year \$472,944 of additional appropriations were made.

NOTE 3- DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments of the Town consist of the following at June 30, 2017:

Statement of Net Position	
Cash and equivalents	\$ 14,125,908
Restricted Cash and Equivalents	85,286
Investments	<u>777,016</u>
	<u>14,988,210</u>
Fiduciary Funds	
Cash and equivalents	302,300
Investments	<u>14,833,901</u>
	<u>15,136,201</u>
Total Cash and Investments	<u>\$ 29,822,111</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Cash and Equivalents – As of June 30, 2017 the carrying amount of the Town’s deposits with financial institutions was:

Cash and Equivalents	
Deposits with financial institutions	\$ 11,457,328
Plus external investment pools	3,039,834
Less Certificates of deposits (in investments)	<u>(381,499)</u>
	<u>\$ 14,115,663</u>

The bank balance of the deposits was \$12,436,981 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 1,085,287
Uninsured and uncollateralized	<u>11,351,694</u>
	<u>\$ 12,436,981</u>

Investments – Investments are summarized as follows at June 30, 2017

Investments reported in Governmental Funds:

	General Fund	Other Governmental Funds
Certificates of deposit	\$ -0-	\$ 381,499
Stocks	-0-	382,431
Mutual Funds – equity	<u>13,086</u>	<u>-0-</u>
	<u>\$ 13,086</u>	<u>\$ 763,930</u>

Investments reported in Fiduciary Funds:

Investments reported in Governmental Funds:

	Town Pension	Student Activity	Total Investments
Stocks	\$ 7,229,468	\$ -0-	\$7,229,468
Mutual funds - equity	-0-	6,636	6,636
Mutual funds – money market	431,460	-0-	431,460
Mutual Funds – bonds	<u>7,166,337</u>	<u>-0-</u>	<u>7,166,337</u>
	<u>\$14,827,265</u>	<u>\$ 6,636</u>	<u>\$14,833,901</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Below is a summary of the interest rate risk and credit risk as of June 30, 2017:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)	
			Less Than 1 Year	1-5 Years
Certificates of deposit	NA	\$ 381,499	\$ -	\$ 381,499
Stocks	NA	7,611,899	7,611,899	
Mutual funds - equity	NA	19,722	19,722	
Mutual funds - money market	NA	431,460	431,460	
Mutual funds - bonds	A-	7,166,337	7,166,337	
		<u>\$ 15,610,917</u>	<u>\$ 15,229,418</u>	<u>\$ 381,499</u>

The following are major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy:

Type of Investment	Investments not Measured at Fair Value	Quoted Prices in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 381,499	\$ -	\$ -	\$ -
Stocks	-	7,611,899	-	-
Mutual funds - equity	-	19,722	-	-
Mutual funds - money market	-	431,460	-	-
Mutual funds - bonds	-	7,166,337	-	-
	<u>\$ 381,499</u>	<u>\$ 15,229,418</u>	<u>\$ -</u>	<u>\$ -</u>

B. DEFERRED INFLOWS AND UNEARNED REVENUE

Governmental funds report deferred inflows in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as deferred inflows of resources because they were not received within 60 days of the year end:

	General Fund	Other Governmental Funds
Property taxes	\$ 1,058,859	\$ 28,408
Intergovernmental revenue	135,639	-
	<u>\$ 1,194,498</u>	<u>\$ 28,408</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the Liability unearned revenue at June 30, 2017:

	General Fund	Other Governmental Funds
Taxes collected in advance	\$ 711,027	\$ 11,667

C. INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2017 these were summarized as follows:

		Due from			
	General Fund	Geo-Thermal Solar Projects Fund	Other Governmental Funds	Internal Service Fund	Total
Due to					
General Fund	\$ -	\$ 263,729	\$ 144,952	\$ 612,543	\$ 1,021,224
Educational Grant Fund	72,737	-	114,000	-	186,737
Small Cities Grants Fund	24,793	-	-	-	24,793
Geo-Thermal Solar Projects Fund	-	-	-	-	-
Other Governmental Funds	2,329,342	-	-	-	2,329,342
Sewer User fund	487,449	-	-	-	487,449
Internal Service Fund	1,515	-	-	-	1,515
Private Purpose Trust Funds	1,030	-	-	-	1,030
	<u>\$ 2,916,866</u>	<u>\$ 263,729</u>	<u>\$ 258,952</u>	<u>\$ 612,543</u>	<u>\$ 4,052,090</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2017 were as follows:

		Transfer In			
	General	Major Governmental	Nonmajor Governmental	Proprietary Fund	Total
Transfer Out					
General Fund	\$ -	\$ 300,000	\$ 129,507	\$ -	\$ 429,507
Major	-	-	-	-	-
Nonmajor	782,482	-	-	-	782,482
	<u>\$ 782,482</u>	<u>\$ 300,000</u>	<u>\$ 129,507</u>	<u>\$ -</u>	<u>\$ 1,211,989</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Changes in the Town's capital assets used in the governmental activities are as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,683,260	\$ -	\$ -	\$ 1,683,260
Construction in progress	32,046,999	2,304,170	(1,964,727)	32,386,442
	<u>33,730,259</u>	<u>2,304,170</u>	<u>(1,964,727)</u>	<u>34,069,702</u>
Capital assets being depreciated				
Buildings and improvements	87,218,878	2,194,288	-	89,413,166
Equipment and vehicles	8,908,053	1,415,345	(34,400)	10,288,998
Infrastructure	44,203,492	171,125	-	44,374,617
	<u>140,330,423</u>	<u>3,780,758</u>	<u>(34,400)</u>	<u>144,076,781</u>
Less accumulated depreciation	<u>(54,959,028)</u>	<u>(1,908,067)</u>	<u>34,400</u>	<u>(56,832,695)</u>
	<u>\$ 119,101,654</u>	<u>\$ 4,176,861</u>	<u>\$ (1,964,727)</u>	<u>\$ 121,313,788</u>

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Education	\$ 942,962
General Government	75,296
Public Works	734,546
Parks and recreation	21,972
Health and Social Services	43,216
Public Safety	<u>90,075</u>
	<u>\$ 1,908,067</u>

Changes in the Town's capital assets used in the business-type activities are as follows:

	Beginning Balance	Increases	Ending Balance
Capital assets not being depreciated			
Construction in progress	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated			
Land improvements	541,500	-	541,500
Building and improvements	2,932,233	-	2,932,233
Equipment and vehicles	1,350,302	142,091	1,492,393
	<u>4,824,035</u>	<u>142,091</u>	<u>4,966,126</u>
Less accumulated depreciation	<u>(3,331,038)</u>	<u>(152,651)</u>	<u>(3,483,689)</u>
	<u>\$ 1,492,997</u>	<u>\$ (10,560)</u>	<u>\$ 1,482,437</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation and amortization expense of \$151,113 was charged to the sewer function of business-type activities.

E. LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

The following table summarizes changes in the Town's long-term indebtedness in the governmental activities for the year ending June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 20,828,651	\$ 5,990,000	\$ (8,250,553)	\$ 18,568,098	\$ 7,085,612
Capital Leases	17,494,951	1,019,915	(1,103,904)	17,410,963	403,078
Compensation Absences	553,736	-	(110,969)	442,767	22,138
Pension Obligations	8,035,676	35,354	(57,655)	8,013,375	-
OPEB Obligations	1,897,900	407,400	-	2,305,300	-
Premium on Bonds	711,294	-	(90,900)	620,394	67,978
	<u>\$ 49,522,208</u>	<u>\$ 7,452,669</u>	<u>\$ (9,613,981)</u>	<u>\$ 47,360,896</u>	<u>\$ 7,578,807</u>

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interest on these obligations is expensed to the respective fund, primarily 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 are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2017 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rate	Amount Outstanding
Sewer Upgrade	2010	\$ 6,566,000	2040	3.25%	\$ 5,703,098
Refunding General Purposes	2012	1,055,000	2017	2.0/4.0	185,000
General Purpose	2012	550,000	2026	2.0/4.0	365,595
Refunded School Bonds	2012	4,100,000	2025	2.0/4.0	3,280,000
School Bonds	2012	4,580,000	2025	2.0/4.0	3,044,405
General Obligation BAN	2016	4,580,000	2017	2.0	4,580,000
General Obligation BAN	2017	1,410,000	2017	1.3	1,410,000
					<u>\$ 18,568,098</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Payments to maturity on the general obligation bonds are as follows

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principle	Interest		Principle	Interest
2018	7,085,612	433,726	2030	235,754	110,209
2019	915,832	399,481	2031	243,416	102,547
2020	911,222	364,291	2032	251,327	94,636
2021	866,787	330,126	2033	259,496	86,467
2022	872,532	296,781	2034	267,929	78,034
2023	878,464	263,249	2035	276,637	69,326
2024	879,590	229,623	2036	285,628	60,335
2025	885,914	195,899	2037	294,910	51,053
2026	892,443	161,970	2038	304,495	41,468
2027	539,185	136,653	2039	314,391	31,572
2028	221,146	124,817	2040	324,609	21,354
2029	228,334	117,629	2041	332,440	13,522
				<u>\$ 18,568,094.39</u>	<u>\$ 3,814,767</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2017 totaled \$591,786.

Capital Leases Payable

The Town has entered into various lease agreements to finance the acquisition of various vehicles, equipment, building improvements and energy improvements. The cost of the assets is included in the capital assets with a cost of \$20,743,480 and accumulated depreciation of \$1,654,961. The leases qualify as capital leases for accounting purposes. The Town's capital lease obligation at June 30, 2017 is as follows:

Total payments on capital leases for the year ending

2018	\$	1,233,003
2019		1,196,211
2020		1,182,843
2021		1,163,010
2022		1,189,955
Therafter		<u>11,445,941</u>
		17,410,963
Less the amount representing interest		<u>(403,078)</u>
Present value of future minimum lease payments	\$	<u>17,007,885</u>

Interest incurred and expensed on capital leases payable for the year ended June 30, 2017 totaled \$532,670.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2017 \$3,585,000 of bonds outstanding are considered defeased.

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Stafford, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 26,671,383
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	90,994
Debt limitation base	<u>\$ 26,762,377</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 60,215,348	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	113,740,102	-	-	-
3 3/4 times base	-	-	100,358,914	-	-
3 1/4 times base	-	-	-	86,977,725	-
3 times base	-	-	-	-	80,287,131
Total debt limitaion	<u>60,215,348</u>	<u>113,740,102</u>	<u>100,358,914</u>	<u>86,977,725</u>	<u>80,287,131</u>
Indebtedness					
Bonds payable	550,595	6,324,405	5,703,098	-	-
Ban payable	3,894,000	-	3,186,000	-	-
Total indebtedness	<u>4,444,595</u>	<u>6,324,405</u>	<u>8,889,098</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 55,770,753</u>	<u>\$ 107,415,697</u>	<u>\$ 91,469,816</u>	<u>\$ 86,977,725</u>	<u>\$ 80,287,131</u>
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In no case shall total indebtedness exceed seven times the annual receipts from taxation	<u>\$ 187,336,639</u>
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TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES – ENTERPRISE FUNDS

The following table summarizes changes in the Town's long-term indebtedness in the enterprise funds for the year ending June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Pension obligations	\$ 248,526	\$ -	\$ (3,219)	\$ 245,307

G. NET POSTION

The components of net position are detailed below:

Net investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction improvement of those assets.

Restricted Net Position – Nonexpendable – the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of:

Trust principal	\$ 186,280
Inventory	11,667
Other	<u>2,000</u>
	<u>\$ 199,947</u>

Restricted Net Position – Expendable – the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

General Government	\$ 2,374,239
Public Works	752,485
Public Safety	67,978
Capital Projects	<u>49,015</u>
	<u>\$ 3,243,717</u>

Unrestricted – all other amounts that do not meet the definition of restricted or net investment in capital assets.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

H. FUND BALANCES

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Educational Grant Fund	Small Cities Grants	Geo-Thermal Solar Project Fund	Other Governmental Funds
Nonspendable					
Not in spendable form					
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 11,667
Required to maintained					
Trust principal	-	-	-	-	186,280
Other	-	-	-	-	2,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,947</u>
Restricted					
General Government	\$ -	\$ -	\$ 2,525,980	\$ -	\$ -
Education	-	-	-	-	83
Public Works	-	-	-	-	752,485
Public Safety	13,086	-	-	-	54,892
Capital Ptojects	-	-	-	49,015	-
Other Purposes	-	-	-	-	(151,741)
	<u>\$ 13,086</u>	<u>\$ -</u>	<u>\$ 2,525,980</u>	<u>\$ 49,015</u>	<u>\$ 655,636</u>
Committed					
Capital Ptojects	\$ -	\$ -	\$ -	\$ -	\$ 894,425
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894,425</u>
Assigned					
General Government	\$ 316,476	\$ -	\$ -	\$ -	\$ -
Education	571,057	-	-	-	102,739
Public Works	22,645	-	-	-	503,836
Culture and Recreation	-	-	-	-	4,368
Other Purposes	81,110	-	-	-	-
To balance next year's budget	-	-	-	-	-
	<u>\$ 991,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,204</u>

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS

A. TEACHERS' RETIRMENT SYSTEM

Plan Description

Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System, a cost-sharing multiple employer public employee retirement system described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement system is administered by the Teachers' Retirement Board.

Plan Membership – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (*Continued*)

in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years or credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of 1200.00 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

The Town is not required to make contributions to the plan. The statutes require the State of Connecticut to make contributions on-behalf of the Town in an actuarially determined amount. The total amount contributed from the State, on behalf of the Town for the fiscal year ended June 30, 2017 was \$4,470,300.

Members are required to contribute six percent of their annual salary for the pension benefit.

The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Actuarial Methods and Significant Assumptions – The following assumptions were used in the Teacher's Retirement pension valuations, prepared as of June 30, 2016 (the Valuation Date and Measurement Date) for use in the June 30, 2017 financial statements (Reporting Date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	2.75%
Salary increases	3.25 - 6.50%, including inflation
Investment rate of return	8.0%, net of investment related expense, including inflation
Discount rate	8.0%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 3.00% to 5.00%
Post-retirement mortality	RP-2014 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with scale MP-2016

There were no changes in assumptions, benefits, or discount rate that affected the measurement of the total pension liability since the prior measurement date.

Target Asset Allocation and Rates of Return – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Real estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Core Fixed Income	7.00%	1.30%
High Yield Bonds	5.00%	3.90%
Emerging Market Fund	5.00%	3.70%
Inflation Linked Bond Fund	3.00%	1.00%
Cash	6.00%	0.40%

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Town's Proportionate Share of the Collective Net Pension Liability

Employer Net Pension Liability	\$ -
Nonemployer Contributing Entity (State) Net Pension Liability	40,991,768
Net pension Liability	<u>\$ 40,991,768</u>
Net pension Liability percentage of the total	0.287761%
Pension expense	\$ 4,470,300
Proportion Basis	Employee contributions
Change in proportion since measurement date	None

Sensitivity Analysis – Although this is paid by the State of Connecticut and not a liability of the Town, the following presents the net pension liability of the Town's proportionate share of the plan (paid by the State), calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability (Asset)	<u>\$ 50,572,266</u>	<u>\$ 40,991,768</u>	<u>\$ 32,892,841</u>

Support Provided by Nonemployer Contributing Entity (State) – The Town has recognized \$4,470,300 as revenue in support provided by the State of Connecticut's contributions to the plan on behalf of the Town's employees.

Obtaining a Report of the Plan – Teachers' Retirement System is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The reports included information on the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers' Retirement Board at www.ct.gov/trb.

B. Defined Contribution Plan

The Town has a defined contribution plan for all eligible employees under Internal Revenue Code (IRS) 401(a). This is administered through CPI Qualified Plan Consultants, Inc. Provisions are made and amended as necessary by the Town. Employees may contribute up to the IRS limits through and IRS section 457 Plan. The Town will match an eligible employee's contribution up to 6% of their base salary. Contributions in this fiscal year were \$29,200 (3.5 %) of covered salaries of \$817,516.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

C. The Defined Benefit Plan of the Town of Stafford

Plan Description – The Town is the administrator of a single employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers’ Retirement System). The PERS is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Pension Committee (the “Committee”) of which members are appointed by the Board of Selectman.

The Plan provides retirement benefits through a single employer noncontributory defined benefit plan. Members include substantially all Town, Water Pollution Control Authority (“WPCA”), Library and Board of Education (“BOE”) employees. Temporary employees, employees working less than 24 hours per week and any BOE employee covered under the CT State Teachers’ Retirement System are excluded. Employees hired after July 1, 2012 are not eligible for the plan.

Plan Membership – As of the date of the latest actuarial valuation (January 1, 2017) membership consisted of the following:

Retirees and beneficiaries receiving benefits	91
Terminated employees entitled to benefits, but not yet receiving them	60
Active Members	<u>152</u>
	<u>303</u>

Contribution Policy – The Town is required to contribute the cost of its participants as determined by actuarial calculations.

A pension committee oversees the Pension investments and activities. This committee is comprised of the following voting members: The First Selectman, the Superintendent of Schools, Superintendent of the Water Pollution Control Authority, the Town’s Chief Financial Officer, and the BOE Business Manager.

Funding Policy – Funding is based on the actuarial determining employer contribution (“ADEC”). The Town has a policy to pay at least the greater of: (a) 40% of the ADEC; or (b) 80% of the prior year’s actual contribution up to 100% of the ADEC.

Investment Policy – Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

Conservative investments – cash and liquid investments, including money market, stable value and guaranteed investment accounts

Income investments- income oriented investments, including bond funds.

Equity investments – funds that invest in equity securities.

Asset allocation investments – funds or accounts that invest in a combination of conservative, income, and equity investments; fund of accounts combining several of the above investments; and fund of managers accounts combining several different investment styles and fund managers.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Target-date investments – funds or accounts in the hybrid category that automatically reset the asset mix in the portfolio according to a selected time frame.

Other – appropriate investments in other styles or asset classes offered through vehicles such as mutual funds, exchange-traded funds, commingled trusts, and insurance company separate accounts.

The committee will choose specific investment options from each category and will consider the investment services and materials provided by the investment provider. Monitoring of the plan investments is done regularly.

Long-term expected rate of return – The best estimate rate for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation.

Below shows the Committee's target asset class allocation and the long-term expected rate of return calculated as geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Real Estate	3.00%	5.00%
International Stocks	19.00%	5.50%
Small-Cap Stocks	5.00%	5.50%
Large-Cap Stocks	33.00%	4.65%
Bonds	40.00%	1.95%

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during the period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a quarterly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses as:

Net money-weighted rate of return for the year ended June 30, 2017	9.21%
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Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2017 were as follows:

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Town pension liability	\$ 23,085,947
Plan fiduciary net position	<u>(14,827,265)</u>
Net pension liability (asset)	<u>\$ 8,258,682</u>
Plan Fiduciary net position as a percentage of total pension liability	64.23%
Changes in the net pension liability during the year were as follows:	
Total Pension Liability	
Service cost	\$ 550,954
Interest on total pension liability	1,523,912
Change of benefit terms	41,906
Differences between expected and actual experience	46,788
Assumption changes or inputs	170,098
Benefit payments	<u>(918,329)</u>
Net change in total pension liability	1,415,329
Total pension liability, beginning	<u>21,670,618</u>
Total pension liability, ending	<u>\$ 23,085,947</u>
Fiduciary Net Position	
Employer contributions	\$ 1,113,284
Net investment income	1,270,537
Benefit payments	(918,329)
Administrative expenses	<u>(24,643)</u>
Net change in plan fiduciary net position	1,440,849
Fiduciary net position, beginning	<u>13,386,416</u>
Fiduciary net position, ending	<u>\$ 14,827,265</u>
Net pension liability, beginning	<u>8,284,202</u>
Net pension liability, ending	<u>\$ 8,258,682</u>

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2017 valuation (Valuation and Measurement Date) and projected forward to Jun 30, 2017 (Reporting Date)

Valuation timing	Actuarially determined contribution rates are calculated as of January 1, 18 months prior to the beginning of the fiscal year in which the contributions are reported.
Actuarial cost method	GASB Liability: Entry Age ADEC: Projected Unit Credit
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Closed
Amortization period	Beginning 2015, 28 years remaining
Amortization growth rate	0.00%

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Asset valuation method

Smoothing period 5 year
Recognition method 20% per year

Inflation 2.75%

Salary increases ranged based on ages from 20 to 65 6% down to 2.75% respectively

Investment rate of return 7.00% per year, net of investment and administrative expenses

Cost of living adjustment None

Retirement age Early retirement – 55, Normal retirement – 65

Turnover None

Pre-retirement mortality None

Post-retirement mortality RP-2000 mortality table, projected to the valuation date with Scale AA

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ 10,862,173	\$ 8,258,682	\$ 6,028,400

Pension Expense - The total pension expense recognized for the year ended June 30, 2017 was \$1,844,571. Pension expense for the next 4 years will be affected by the following deferred outflows and inflows of resources:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of:

	Recognized in			To Be Recognized			
	2017	2018	2019	2020	2021	Total	
Differences between Expected nad Actual Experience							
2015	\$ (11,626)	\$ (11,626)	\$ (11,626)	\$ (8,137)	\$ -	\$ (43,015)	
2016	\$ (9,746)	\$ (9,746)	\$ (9,746)	\$ (9,746)	\$ (973)	\$ (39,957)	
2017	\$ 10,171	\$ 10,171	\$ 10,171	\$ 10,171	\$ 6,104	\$ 46,788	
Recognition of the Efeects of Changes in Assumptions							
2015	\$ 278,706	\$ 278,706	\$ 278,706	\$ 195,093	\$ -	\$ 1,031,211	
2016	\$ 23,825	\$ 23,825	\$ 23,825	\$ 23,825	\$ 2,382	\$ 97,682	
2017	\$ 36,978	\$ 36,978	\$ 36,978	\$ 36,978	\$ 22,186	\$ 170,098	
Differences between Projected and Actual Earnings on pension Plan Investments							
2015	\$ 172,693	\$ 172,693	\$ 172,693	\$ -	\$ -	\$ 518,079	
2016	\$ 242,289	\$ 242,289	\$ 242,289	\$ 242,291	\$ -	\$ 969,158	
2017	\$ (57,601)	\$ (57,601)	\$ (57,601)	\$ (57,601)	\$ (57,600)	\$ (288,004)	

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

D. LENGTH OF SERVICE AWARDS – Volunteer Fire Department

The town is the sponsor of a Length of Service Awards Plan (“LOSAP”) established and administered by the Town to provide pension benefits for its fire department volunteers. The LOSAP is accounted for in the Town’s financial statements in the General Fund. The program provides benefits through a single employer non-contributory defined benefit plan. To be eligible, a volunteer must have been an active member in the volunteer fire department. The plan was closed to new entrants as of October 2002.

The participants receive \$60 for up to 16 years of service.

Assets are set aside in a general investment account. The Town’s obligation to pay benefits is unfunded and unsecured and plan assets are subject to the claims of the Town’s creditors.

E. OTHER POST EMPLOYMENT BENEFITS

Based on an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town’s future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

Plan Description – The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Stafford, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility Teachers and Administrators – Age 60 with 10 years of service, age 55 with 20 years of service or age 50 with 25 years of service. Upon reaching age 65 retired teachers and certified administrators must transfer coverage to Medicare and are removed from coverage.

All other BOE Employees – Age 55 with 10 years of service.

Cost Sharing Retirees pay 100% of the premium

At January 1, 2017 plan membership consisted of the following:

Retired members	11
Active plan members	<u>287</u>
	<u>298</u>

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Annual OPEB Cost ("AOC") and Net OPEB Obligation ("NOO")

Amortization Component:

Actuarial Accrued Liability as of January 1, 2017	\$ 3,609,300
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 3,609,300</u>
 Funded Ratio	 0.00%
Covered Payroll (Active plan members)	14,848,181
UAAL as a Percentage of Covered Payroll	24.31%
 Annual Required Contribution	 \$ 421,800
Interest on Net OPEB Obligation	71,200
Adjustment to Annual Required Contribution	<u>(102,600)</u>
Annual OPEB Cost	390,400
Contributions made	<u>17,000</u>
Increase in net OPEB Obligation (Asset)	407,400
Net OPEB Obligation (Asset) - Beginning of the year	<u>1,897,900</u>
Net OPEB Obligation (Asset) - End of the year	<u>\$ 2,305,300</u>

Actuarial Methods and Significant Assumptions – The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees; medical insurance.

The “normal cost” is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The normal cost for the plan is the total of the individual normal costs for each participant. The accrued liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Actuarial valuation for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.58%
Medical Inflation	7.5% for 2017, reducing by .05% per year to a final 4.6% for 2023 and later
Amortization Method	Level dollar amortization
Amortization	30 years, open
Mortality	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016
Participation	85%
Retirement	Based on percentages at differing ages

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
6/30/2015	\$ 404,500	\$ (41,100)	\$ -10%	\$ 1,519,600
6/30/2016	\$ 396,300	\$ 18,000	\$ 5%	\$ 1,897,900
6/30/2017	\$ 390,400	\$ (17,000)	\$ -4%	\$ 2,305,300

Funding Progress

As of the last valuation date, January 1, 2017, the actuarial valuation plan assets was \$0. The actuarial accrued liability was \$3,609,300. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
1/1/2017	-	3,609,300	3,609,300	0%	14,848,181	24%
1/1/2015	-	5,215,300	5,215,300	0%	13,797,287	38%
1/1/2013	-	4,678,000	4,678,000	0%	14,646,621	32%
1/1/2011	-	3,158,000	3,158,000	0%	13,911,000	23%

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Percentage Contributed
6/30/2017	421,800	-4.03%
6/30/2016	417,200	4.31%
6/30/2015	419,300	-9.80%

Current Town employees do not receive any other post-employment benefits.

NOTE 5- OTHER INFORMATION

A. LITIGATION

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

B. CONTINGENCIES

Grants - The Town has received state and federal grants for specific purposes that are subject to compliance audits pursuant to the Federal and State Single Audit Acts. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, in any, will not be material.

School Building Grants – Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

The Town is involved in a number of civil actions and zoning matters. In the opinion of the Town attorney, the resolution of such matters should not have a significant impact on the Town.

C. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town and Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Town per covered participant is \$125,000. The Town retains an insurance policy for employee claims in excess of \$125,000. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by the Town and Board of Education budget appropriations and employee contributions, as required.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (Continued)

The following is a summary of changes in claims liability for the last three years:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2017	\$ 348,000	\$ 3,333,931	\$ (3,429,931)	\$ 252,000
2016	\$ 276,000	\$ 4,463,164	\$ (4,391,164)	\$ 348,000
2015	\$ 326,000	\$ 3,788,343	\$ (3,838,343)	\$ 276,000

The internal service funds are substantially funded by the Town's General Fund based on estimates for the number of employees and type of coverage (single, couple, or family) and trends in the insurance claims and estimates for administration. The claim liability reported in the internal service funds at June 30, 2017 are based on the requirements of GASB Statements number 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

C. RISKS AND UNCERTAINTIES

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

D. MOTOR VEHICLE TAX CAP

Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management ("OPM") capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2018 will be 39 mills. The rate cap in fiscal year 2019 and thereafter will be

E. MUNICIPAL SPENDING CAP

Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (*Continued*)

adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant.

The reduction is equal to 50 cents for every dollar the municipality spends over the cap. However, OPM may not reduce a municipality's grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the Town for the year ending June 30, 2018, before any reductions, is \$41,189. This amount is subject to change based on changes in the State of Connecticut's budget.

F. GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

In June 2015, the GASB issued Statement NO. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements of OPEB plans and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's

AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (*Continued*)

are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
	\$	\$	\$	\$	\$
REVENUES					
Property Taxation					
Property Taxes	25,798,896	-	25,798,896	25,246,079	(552,817)
Auto Tax Supplement	220,000	-	220,000	307,423	87,423
Prior Taxes	550,000	-	550,000	722,903	172,903
Suspense Collections	3,000	-	3,000	18,301	15,301
Interest and Lein Fees	280,000	-	280,000	376,677	96,677
	<u>26,851,896</u>	<u>-</u>	<u>26,851,896</u>	<u>26,671,383</u>	<u>(180,513)</u>
Intergovernmental - Other					
Tax Relief for the Elderly	95,000	-	95,000	90,994	(4,006)
In Lieu of Taxes, State Property	4,404	-	4,404	45,593	41,189
Municipal Revenue Sharing-Pymt in Lieu of Taxes	41,189	-	41,189	-	(41,189)
Town Aid Highways	393,050	-	393,050	290,655	(102,395)
Disability Grant	3,000	-	3,000	2,670	(330)
Local Capital Improvement Program	111,207	-	111,207	-	(111,207)
Nontaxpaying Hospital	213,778	-	213,778	213,778	-
Motor Vehicle Fines	12,000	-	12,000	2,118	(9,882)
Telephone Access Line Tax	20,000	-	20,000	20,522	522
Mashantucket Pequot Grant	93,160	-	93,160	93,160	-
Addvets Grant	36,000	-	36,000	29,222	(6,778)
Municipal Purposes & Projects	437,917	-	437,917	437,917	-
Municipal Revenue Sharing-Addt'l Sales Tax Funds	243,095	-	243,095	243,095	-
Bingo Permit Fees	50	-	50	58	8
Dept of Mental Health/Addiction Services	80,000	-	80,000	80,029	29
SDE (DCF)	20,000	-	20,000	25,641	5,641
Miscellaneous State Grants	20,000	-	20,000	352,078	332,078
State Police Grants	102,000	-	102,000	-	(102,000)
State Aid Grant for Senior Services	20,000	-	20,000	25,057	5,057
	<u>1,945,850</u>	<u>-</u>	<u>1,945,850</u>	<u>1,952,587</u>	<u>6,737</u>
Local Services					
Licenses, Fees and Permits	10,000	-	10,000	7,100	(2,900)
Town Clerk Fees	137,000	-	137,000	190,944	53,944
Zoning, Building, and Sanitation Fees	200,000	-	200,000	151,905	(48,095)
Service District Administration	3,550	-	3,550	-	(3,550)
Miscellaneous	30,000	-	30,000	53,977	23,977
July 4th Summerfest Revenue	15,000	-	15,000	15,901	901
Recycling Revenues	30,000	-	30,000	15,206	(14,794)
Constable Fees	75,000	-	75,000	134,877	59,877
Human Services Consultation	127,600	-	127,600	241,941	114,341
Housing Authority in Lieu of Taxes	15,000	-	15,000	19,155	4,155
Fire Marshall Revenue	13,100	-	13,100	13,961	861
Transfer Station Fees	200,000	-	200,000	200,273	273
Stafford Library Revenue	5,000	-	5,000	4,118	(882)
Town Donations Specified	20,000	-	20,000	12,990	(7,010)
Parking Violations	1,000	-	1,000	1,075	75
Summer Recreation	15,000	-	15,000	18,625	3,625
Ambulance Association Income	482,650	-	482,650	464,175	(18,475)
Zrec Income from CL&P	-	-	-	-	-
BOE Realized Savings from Zrec Program	-	-	-	-	-
	<u>1,379,900</u>	<u>-</u>	<u>1,379,900</u>	<u>1,546,223</u>	<u>166,323</u>

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Investment Income					
Income on Investments	\$ 25,000	\$ -	\$ 25,000	\$ 38,403	\$ 13,403
Intergovernmental - Education					
Education Cost Sharing Grant	9,849,733	-	9,849,733	9,797,703	(52,030)
Transportation	-	-	-	-	-
Non-Public Transportation	-	-	-	-	-
Adult Education	24,930	-	24,930	26,685	1,755
Miscellaneous Grants	-	-	-	-	-
	<u>9,874,663</u>	<u>-</u>	<u>9,874,663</u>	<u>9,824,388</u>	<u>(50,275)</u>
Tuition					
Tuition Received	27,500	-	27,500	8,607	(18,893)
Grants					
DUI Police State Grant	-	-	-	27,569	27,569
Speed Enforcement Grant	-	-	-	13,418	13,418
	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,987</u>	<u>40,987</u>
Total Revenues	<u>40,104,809</u>	<u>-</u>	<u>40,104,809</u>	<u>40,082,578</u>	<u>(22,231)</u>
Other Financing Sources					
BAN Proceeds	-	-	-	5,990,000	5,990,000
Premium on Bond/BANS	-	-	-	51,659	51,659
Transfers in	437,425	-	437,425	1,119,907	682,482
Total Other Financing Sources	<u>437,425</u>	<u>-</u>	<u>437,425</u>	<u>7,161,566</u>	<u>6,724,141</u>
Total Revenues and Other Financing Sources	<u>40,542,234</u>	<u>-</u>	<u>40,542,234</u>	<u>47,244,144</u>	<u>6,701,910</u>
EXPENDITURES					
General Government					
Board of Selectmen	563,375	(4,386)	558,989	551,720	7,269
Probate Court	4,500	-	4,500	4,500	-
IT Technology	106,415	-	106,415	100,572	5,843
Registrar of Voters	46,970	-	46,970	37,981	8,989
Town Clerk Elections	2,250	-	2,250	506	1,744
Board of Finance	43,800	-	43,800	43,142	658
Board of Assessors	81,915	-	81,915	78,383	3,532
Board of Assessment Appeals	5,850	-	5,850	5,850	-
Tax Collector	79,825	(4,365)	75,460	75,046	414
Treasurer	95,505	-	95,505	95,169	336
Town Counsel	39,500	13,257	52,757	52,757	-
Town Clerk	86,115	-	86,115	81,093	5,022
Buildings	408,625	19,859	428,484	421,893	6,591
Fuel Oil	67,000	-	67,000	60,703	6,297
Fixed Charges	1,978,075	8,540	1,986,615	1,986,563	52
Capital Outlay	59,000	-	59,000	12,875	46,125
Judgement and Losses	5,000	-	5,000	4,200	800
	<u>3,673,720</u>	<u>32,905</u>	<u>3,706,625</u>	<u>3,612,953</u>	<u>93,672</u>
Public Safety					
Safety and Protection	66,100	200	66,300	58,969	7,331
Fire Marshall	70,870	-	70,870	69,440	1,430
Police Protection	850,955	40,300	891,255	833,335	57,920
Fire and Ambulance Service	1,010,513	-	1,010,513	991,301	19,212
	<u>1,998,438</u>	<u>40,500</u>	<u>2,038,938</u>	<u>1,953,045</u>	<u>85,893</u>

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

	Budgeted Amounts			Actual	Variance with
	Original	Additional Appropriations and Transfers	Final	Budgetary Basis	Final Budget
	\$	\$	\$	\$	\$
Health					
Building Department/Zoning/Wetlands	219,970	-	219,970	196,031	23,939
Transfer Station Operations	483,140	65,565	548,705	496,405	52,300
Health District/Health Services	55,485	379	55,864	55,864	-
	<u>758,595</u>	<u>65,944</u>	<u>824,539</u>	<u>748,300</u>	<u>76,239</u>
Highways and Bridges					
General Highways	1,781,105	33,299	1,814,404	1,676,690	137,714
Town Aid Road	393,050	(19,094)	373,956	268,549	105,407
	<u>2,174,155</u>	<u>14,205</u>	<u>2,188,360</u>	<u>1,945,239</u>	<u>243,121</u>
Parks and Recreation					
Recreation Commission	96,410	15,378	111,788	107,271	4,517
Community Center	180,000	(9,236)	170,764	163,032	7,732
Parks	426,840	2,915	429,755	405,752	24,003
Holidays	27,500	2,000	29,500	29,122	378
	<u>730,750</u>	<u>11,057</u>	<u>741,807</u>	<u>705,177</u>	<u>36,630</u>
Sundry					
Arts Commission	7,500	-	7,500	7,358	142
Pollution Abatement	5,000	-	5,000	-	5,000
Stafford Family Services	264,670	-	264,670	224,540	40,130
SDE	20,000	-	20,000	18,239	1,761
DMHAS	80,000	-	80,000	79,839	161
School Security Grant	-	-	-	-	-
	<u>377,170</u>	<u>-</u>	<u>377,170</u>	<u>329,976</u>	<u>47,194</u>
Planning and Zoning					
Economic Development Commission	5,000	-	5,000	3,505	1,495
Conservation Commission	1,983	-	1,983	1,838	145
	<u>6,983</u>	<u>-</u>	<u>6,983</u>	<u>5,343</u>	<u>1,640</u>
Education					
Board of Education	27,373,424	-	27,373,424	27,316,815	56,609
Total Education	<u>27,373,424</u>	<u>-</u>	<u>27,373,424</u>	<u>27,316,815</u>	<u>56,609</u>
Stafford Public Library	<u>534,435</u>	<u>(4,175)</u>	<u>530,260</u>	<u>520,692</u>	<u>9,568</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service	<u>2,182,064</u>	<u>-</u>	<u>2,182,064</u>	<u>2,481,628</u>	<u>(299,564)</u>
				<u>-</u>	
Total Expenditures	<u>39,809,734</u>	<u>160,436</u>	<u>39,970,170</u>	<u>39,619,168</u>	<u>351,002</u>
Other Financing Uses					
Retirement of BAN	-	-	-	6,490,000	(6,490,000)
Transfers Out	107,500	312,508	420,008	449,507	(29,499)
Total Other Financing Uses	<u>107,500</u>	<u>312,508</u>	<u>420,008</u>	<u>6,939,507</u>	<u>(6,519,499)</u>
Total Expenditures and Other Financing Uses	<u>39,917,234</u>	<u>472,944</u>	<u>40,390,178</u>	<u>46,558,675</u>	<u>(6,168,497)</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>625,000</u>	<u>(472,944)</u>	<u>152,056</u>	<u>685,469</u>	<u>(533,413)</u>

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Excess (Deficiency) of Revenues					
Over Expenditures - Budgetary Basis	\$ 625,000	\$ (472,944)	\$ 152,056	685,469	\$ (533,413)
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				4,470,300	
Expenditures for Teachers' Retirement				(4,470,300)	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				703,736	
Previous Year Encumbrances recorded on Modified Accrual Basis, but not the Budget Basis				(711,300)	
Town Aid Road expenditures transferred to TAR Fund					
Revenues				(290,655)	
Expenditures				290,655	
Funds combined for GAAP financial reporting purposes					
Compensation Fund				(2,583)	
Town Hall				(50,692)	
Zoning Subdivision				11	
Excess Cost Grant				(10,479)	
Blight Fund				(3,188)	
Volunteer Firemen Pension Fund, net activities				(12,261)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				\$ 598,713	

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with General Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis; 5. Revenues and expenditures from consolidated fund activities are not included in the general Fund budget.

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF STAFFORD EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SINCE INCEPTION OF GASB 67/68

	2017	2016	2015	2014	2013
Town of Stafford Employee Retirement Plan					
Total Pension Liability					
Service cost	\$ 550,954	\$ 542,211	\$ 542,549	\$ 512,523	\$ 492,262
Interest on total pension liability	1,523,912	1,487,985	1,382,927	1,293,404	1,204,573
Changes of benefit terms	41,906	-	-	-	-
Differences between expected and actual experience	46,788	(49,703)	(66,267)	-	-
Assumption changes or inputs	170,098	121,507	1,588,623	-	-
Benefit payments	(918,329)	(811,997)	(723,969)	(613,462)	(523,580)
Net change in total pension liability	1,415,329	1,290,003	2,723,863	1,192,465	1,173,255
Total pension liability, beginning	21,670,618	20,380,615	17,656,762	16,464,297	15,291,042
Total pension liability, ending	23,085,947	21,670,618	20,380,625	17,656,762	16,464,297
Fiduciary Net Position					
Employer contributions	1,113,284	1,129,644	1,062,864	1,032,997	998,804
Employee contributions	-	-	-	-	-
Net investment income (loss)	1,270,537	(195,801)	182,471	1,462,811	745,682
Benefit payments	(918,329)	(811,997)	(723,969)	(613,462)	(523,580)
Administrative expenses	(24,643)	(26,714)	(36,112)	(20,451)	(13,899)
Net change in plan fiduciary net position	1,440,849	95,132	485,254	1,861,895	1,207,007
Fiduciary net position, beginning	13,386,416	13,291,284	12,806,030	10,944,135	9,737,128
Fiduciary net position, ending	14,827,265	13,386,416	13,291,284	12,806,030	10,944,135
Net pension liability, ending	\$ 8,258,682	\$ 8,284,202	\$ 7,089,341	\$ 4,850,732	\$ 5,520,162
Fiduciary net position as a % of total pension liability	64.23%	61.77%	65.22%	72.53%	66.47%
Covered payroll	\$ 5,578,904	\$ 5,672,766	\$ 6,082,745	\$ 5,815,088	\$ 5,851,121
Net pension liability as a % of covered payroll	148.03%	146.03%	116.55%	83.42%	94.34%

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

Notes to Schedule

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	GASB liability: Entry Age ADEC: Projected Unit Credit
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	4.00%
Investment rate of return	7.25%
Retirement age	Early retirement - 55, Normal retirement - 65
Mortality	RP-2000 mortality table, projected to the valuation date with Scale

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TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF STAFFORD EMPLOYEE RETIREMENT PLAN
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
SINCE INCEPTION OF GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2017	9.21%
2016	-1.42%
2015	1.38%
2014	12.68%
2013	N/A
2012	N/A
2011	N/A
2010	N/A
2009	N/A
2008	N/A

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF FUNDING PROGRESS
LAST FOUR VALUATIONS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
1/1/2017	\$ -	\$ 3,609,300	\$ 3,609,300	0.00%	\$ 14,848,181	24.31%
1/1/2015	\$ -	\$ 5,215,300	\$ 5,215,300	0.00%	\$ 13,797,287	37.80%
1/1/2013	\$ -	\$ 4,678,000	\$ 4,678,000	0.00%	\$ 14,646,621	31.94%
1/1/2011	\$ -	\$ 3,158,000	\$ 3,158,000	0.00%	\$ 13,911,000	22.70%

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST SIX FISCAL YEARS

Fiscal Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
6/30/2017	\$ 421,800	\$ (17,000)	-4.03%
6/30/2016	\$ 417,200	\$ 18,000	4.31%
6/30/2015	\$ 419,300	\$ (41,100)	-9.80%
6/30/2014	\$ 413,600	\$ 66,000	15.96%
6/30/2013	\$ 316,100	\$ 266,800	84.40%
6/30/2012	\$ 310,900	\$ 289,100	92.99%

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
CONNECTICUT TEACHERS' RETIREMENT SYSTEM

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Changes in Net Pension Liability and Related Ratios			
Since Inception of GASB 67/68			
Town's percentage of collective net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the employer	\$ <u>40,991,768</u>	\$ <u>33,046,392</u>	<u>30,544,767</u>
Total proportionate share of the collective net pension liability	\$ <u>40,991,768</u>	\$ <u>33,046,392</u>	<u>30,544,767</u>
Employer covered payroll	\$ <u>11,349,028</u>	\$ <u>12,238,511</u>	<u>11,524,012</u>
Employer proportionate share of the collective net pension liability as a % of covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a % of total pension liability	52.20%	59.50%	61.51%

Schedule of Employer Contributions
Since Inception of GASB 67/68

Contractually required Town contribution	\$ -	\$ -	-
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The Town is not required to contribute to the plan. The State contributes on behalf of the Town

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	17.6 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.0% net of investment expense, including inflation

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

APPENDIX B-1 –FORM OF LEGAL OPINION OF BOND COUNSEL AND TAX EXEMPTION - THE BONDS

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

The opinion of Shipman & Goodwin LLP will be in substantially the following form:

Town of Stafford, Connecticut
Warren Memorial Town Hall
1 Main Street
Stafford Springs, Connecticut 06076

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Stafford, Connecticut (the "Town") of its \$4,790,000 General Obligation Bonds, Issue of 2018, dated August 1, 2018, maturing August 1, 2019-2038 (the "Bonds").

In connection with our representation of the Town as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the Town, each dated as of August 1, 2018, the executed Bonds, and certified records of proceedings of the Town authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under the authority of the constitution and statutes of the State of Connecticut, and that the Bonds are valid and binding general obligations of the Town payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the Town and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the Town.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds if interest on the Bonds is to be excludable from gross income under Section 103 of the Code. The Town has covenanted in the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the Town with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the Town to fully comply with the covenants set forth therein, may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

The rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law, regulations or judicial interpretation that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

CERTAIN ADDITIONAL FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain federal income tax matters with respect to the Bonds under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a bond. Prospective owners of the Bonds, particularly those that may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Recent Tax Legislation. The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinion.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. The Tax Cuts and Jobs Act (H.R. 1) (the "Act") passed in both the House of Representatives and the Senate and was signed into law by the President on December 22, 2017. The Act changes the income tax rates for individuals and corporations and repeals the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2017. The Act also modifies the alternative minimum tax imposed on individuals.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and for those corporations with tax years beginning prior to January 1, 2018. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference. The interest on certain tax-exempt "private activity bonds" is treated as an item of tax preference. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax on corporations.

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

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

Other. As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax. Interest on the Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes, 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.

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

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

ORIGINAL ISSUE DISCOUNT.

The initial public offering 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 in 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 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. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

* * * * *

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 that 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 B-2 - FORM OF OPINION OF BOND COUNSEL AND TAX EXEMPTION - THE NOTES

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

The opinion of Shipman & Goodwin LLP will be in substantially the following form:

Town of Stafford, Connecticut
Warren Memorial Town Hall
1 Main Street
Stafford Springs, Connecticut 06076

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Stafford, Connecticut (the "Town") of its \$435,000 General Obligation Bond Anticipation Notes, dated August 1, 2018, maturing July 30, 2019 (the "Notes").

In connection with our representation of the Town as bond counsel with respect to the Notes, we have examined the executed Tax Certificate and Tax Compliance Agreement of the Town, each dated as of August 1, 2018, the executed Notes, and certified records of proceedings of the Town authorizing the Notes. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Notes under the authority of the constitution and statutes of the State of Connecticut, and that the Notes are valid and binding general obligations of the Town payable, with respect to both principal and interest, unless paid from other sources, from *ad valorem* taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the Town and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the Town.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes if interest on the Notes is to be excludable from gross income under Section 103 of the Code. The Town has covenanted in

the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax imposed on corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Notes. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the Town with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the Town to fully comply with the covenants set forth therein, may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

4. We are of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and 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 rights of the holders of the Notes and the enforceability of the Notes and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law, regulations or judicial interpretation that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

CERTAIN ADDITIONAL FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain federal income tax matters with respect to the Notes under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those that may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Recent Tax Legislation. The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law or the interpretation thereof that may occur after the date of its opinion.

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Notes or otherwise prevent holders of the Notes from realizing the full benefit of the tax exemption of interest on the Notes. The Tax Cuts and Jobs Act (H.R. 1) (the “Act”) passed in both the House of Representatives and the Senate and was signed into law by the President on December 22, 2017. The Act changes the income tax rates for individuals and corporations and repeals the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2017. The Act also modifies the alternative minimum tax imposed on individuals.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Notes. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Notes would be impacted thereby.

Purchasers of the Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and for those corporations with tax years beginning prior to January 1, 2018. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference. The interest on certain tax-exempt “private activity bonds” is treated as an item of tax preference. The Town’s Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not “private activity bonds” so that interest on the Notes will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals, and for tax years beginning prior to January 1, 2018, the federal alternative minimum tax on corporations.

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

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation proposed or enacted after the date of issuance of the Notes will not have an adverse effect on the tax exempt status or the market price of the Notes.

Other. As noted above, interest on the Notes may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax. Interest on the Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Notes may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

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

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

ORIGINAL ISSUE DISCOUNT.

The initial public offering price of the Notes (the “OID Notes”) may be less than the stated principal amount. Under existing law, the difference between the stated principal amount and the initial offering price of the OID Notes to the public (excluding bond houses and brokers) at which a substantial amount of the OID Notes is sold will constitute original issue discount (“OID”). The offering price relating to the yield set forth on the cover page of this Official Statement for the OID Notes is expected to be the initial offering price to the public at which a substantial amount of the OID Notes are sold. Under existing law, OID on the Notes accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Notes 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 Note, OID treated as having accrued while the owner holds the OID Note 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 Note. 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 Note will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Note 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 Notes 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 Notes purchasing such Notes after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Notes.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of the Notes (the "OIP Notes") may be more than the stated principal amount. An owner who purchases a Note 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 Note for federal income tax purposes. Prospective purchasers of OIP Notes should consult their tax advisors regarding the amortization of premium and the effect upon basis.

* * * * *

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 that 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 Notes, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

APPENDIX C-1 - FORM OF CONTINUING DISCLOSURE AGREEMENT - THE BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before a specified date, all pursuant to a Continuing Disclosure Agreement for the Bonds in substantially the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 1st day of August, 2018 by the Town of Stafford, Connecticut (the "Town") acting by its undersigned officers, duly authorized, in connection with the issuance of the Town's \$4,790,000 General Obligation Bonds, Issue of 2018, dated August 1, 2018 (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:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>) to receive submissions of continuing disclosure documents that are described in the Rule.

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

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

Section 2. Annual Financial Information.

(a) The Town agrees to provide, or cause to be provided, to the MSRB in an electronic format as prescribed by the MSRB, in accordance with the provisions of the Rule and this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2018), as follows:

(i) the audited general purpose financial statements of the Town, which financial statements include the Town's general fund, any special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and the general fixed assets and general long-term debt account groups, 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 prepares its financial statements in accordance with generally accepted accounting principles.

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

- A. amounts of the gross and the net taxable grand list applicable to the fiscal year,
- B. listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- C. percentage of the annual property tax levy uncollected as of the close of the preceding fiscal year,
- D. schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- E. calculation of total direct debt and total direct net debt as of the close of the fiscal year,
- F. total direct debt and total direct net debt of the Town per capita,
- G. ratios of the total direct debt and total direct net 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 obligation.

(b) The financial information and operating data described above shall be provided not later than eight months after the close of the fiscal year for which such information is being provided, commencing with information for the fiscal year ending June 30, 2018. The Town agrees that if audited information is not available eight months after the close of the fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information and operating data may be provided in whole or in part by reference to other documents available to the public on the MSRB's internet website or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The 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 for the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required or permitted by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Town; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule.

(e) The Town may file information with the MSRB, 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. Listed Events.

The Town agrees to provide, or cause to be provided, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds:

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

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Enforcement.

The Town acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the 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 the undertakings set forth in Section 2 hereof or five (5) business days with respect to undertakings set forth in Sections 3 and 4 hereof) from the time the First Selectman receives written notice from any beneficial owner of the Bonds of such failure. The present address of the First Selectman is Town of Stafford, Warren Memorial Town Hall, 1 Main Street, Stafford Springs, Connecticut 06076. In the event the Town does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The Town expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 9. 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 provision 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) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Bonds. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following the 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 data or financial information being provided.

TOWN OF STAFFORD, CONNECTICUT

By _____
Mary Mitta
First Selectman

By _____
Neil Hoss
Treasurer

APPENDIX C-2 - FORM OF CONTINUING DISCLOSURE AGREEMENT - THE NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain listed events with respect to the Notes, pursuant to a Continuing Disclosure Agreement for the Notes in substantially the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 1st day of August, 2018 by the Town of Stafford, Connecticut (the "Town") acting by its undersigned officers, duly authorized, in connection with the issuance of \$435,000 General Obligation Bond Anticipation Notes of the Town, dated August 1, 2018 (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

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

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>) to receive submissions of continuing disclosure documents that are described in the Rule.

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

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

Section 2. Listed Events.

The Town agrees to provide, or cause to be provided, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Notes:

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

- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the 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 a trustee, if material.

Section 3. Use of Agents.

Any 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 purposes from time to time.

Section 4. 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 Notes, or (ii) such time as the Town ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Identifying Information.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Enforcement.

The Town acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the 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 five business days with respect to the undertakings set forth in Section 2 hereof) from the time the First Selectman receives written notice from any beneficial owner of the Notes of such failure. The present address of the First Selectman is Town of Stafford, Warren Memorial Town Hall, 1 Main Street, Stafford Springs, Connecticut 06076.

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

Section 7. 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 Notes. 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 provision 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) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Notes. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB.

TOWN OF STAFFORD, CONNECTICUT

By _____
Mary Mitta
First Selectman

By _____
Neil Hoss
Treasurer

APPENDIX D –SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**CONNECTICUT
ENDORSEMENT TO**

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

Claims arising under this Policy are not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part I.)

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this endorsement to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Municipal Advisory Services
Provided By

