

New Issue

Ratings: See "Ratings" herein.

In the opinion of Bond Counsel, assuming the accuracy of and 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"), under existing statutes and court decisions, interest on the Bonds and Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; interest on the Bonds and Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax imposed under the Code with respect to individuals and corporations, and is not includable in adjusted current earnings for purposes of calculating the Federal alternative minimum tax on corporations; 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 interest on the Bonds and Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. See Appendix B - "Opinion of Bond Counsel and Tax Exemption - Bonds" and Appendix C - "Opinion of Bond Counsel and Tax Exemption - Notes" herein.



TOWN OF EAST HADDAM, CONNECTICUT

DAC Bond®

**\$3,825,000 GENERAL OBLIGATION BONDS, ISSUE OF 2010
BOOK-ENTRY-ONLY**

Dated: August 1, 2010

Due: Serially, August 1, as shown on inside cover

Interest on the Bonds will be payable semiannually on the first day of February and August of each year, commencing August 1, 2011. The Bonds are subject to redemption prior to maturity as more fully described herein. See "Optional Redemption" herein.

SEALED BIDS and ELECTRONIC BIDS via PARITY® for the Bonds will be received until 11:30 A.M. (E.D.T.) on Wednesday, July 21, 2010 at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103 as described in the Notice of Sale.

**\$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
BOOK-ENTRY-ONLY**

Dated: August 11, 2010

Due: August 10, 2011

TELEPHONE BIDS for the Notes will be received until 11:00 A.M. (E.D.T.) on Wednesday, July 21, 2010, by telephone call to a representative of Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut at (860) 692-1347 or (860) 692-1329.

The Notes are not subject to redemption prior to maturity.

The Bonds and Notes are issuable only as fully registered bonds and notes, without coupons, and when issued, will be 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. Purchases of the Bonds and Notes will be made in book-entry form, in the denomination of \$5,000 for the Bonds or any integral multiple thereof and \$1,000 for the Notes or any integral multiple thereof. The Beneficial Owners will not receive certificates representing their ownership interest in the Bonds or 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 owner of the Bonds and Notes. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds or Notes. See "Book-entry-only System" herein.

The Bonds and Notes will be general obligations of the Town of East Haddam, 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 Agent, Transfer Agent, Registrar and Paying Agent for the Bonds and Notes will be U.S. Bank National Association in Hartford, Connecticut.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford and New Haven, Connecticut. It is expected that the delivery of the Bonds and Notes in definitive form will be made on or about August 11, 2010 through the facilities of DTC.

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



TOWN OF EAST HADDAM, CONNECTICUT

\$3,825,000 GENERAL OBLIGATION BONDS, ISSUE OF 2010 BOOK-ENTRY-ONLY

Dated: August 1, 2010

Due: Serially, August 1, 2012-2030, as shown below

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2012	\$200,000			272623__	2022	\$200,000			272623__
2013	200,000			272623__	2023	200,000			272623__
2014	200,000			272623__	2024	200,000			272623__
2015	200,000			272623__	2025	200,000			272623__
2016	200,000			272623__	2026	200,000			272623__
2017	200,000			272623__	2027	200,000			272623__
2018	200,000			272623__	2028	200,000			272623__
2019	200,000			272623__	2029	200,000			272623__
2020	200,000			272623__	2030	225,000			272623__
2021	200,000			272623__					

\$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

Dated: August 11, 2010

Due: August 10, 2011

Interest Rate: ____%	Yield: ____%	CUSIP Number: 272623__
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BOND ISSUE SUMMARY

The information in this section, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	Town of East Haddam, Connecticut (the "Town")
Issue:	\$3,825,000 General Obligation Bonds, Issue of 2010, book-entry only (the "Bonds")
Financial Advisor:	Webster Bank, National Association, Hartford, Connecticut
Date and Method of Sale:	Sealed bids and electronic bids via PARITY® on Wednesday, July 21, 2010, until 11:30 A.M. (E.D.T.)
Location of Sale:	Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3 rd Floor Conference Room, Hartford, Connecticut 06103
Dated Date:	August 1, 2010
Interest Date:	Each February 1 and August 1, commencing August 1, 2011
Principal Due:	Serially, August 1, 2012 through August 1, 2030, as detailed in this Official Statement
Purpose:	The proceeds of the Bonds will be used to retire certain maturing bond anticipation notes initially issued to finance construction of a new middle school and to finance the acquisition of land for open space. See "Authorization and Purpose" herein.
Redemption:	The Bonds are subject to redemption prior to maturity, as more fully described herein. See "Optional Redemption" herein.
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
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 allocable to the Bonds.
Credit Rating:	Application has been made to Standard & Poor's for a rating on the Bonds. The Town's most recent general obligation bonds dated May 15, 2008 were rated "AA" by Standard & Poor's.
Credit Enhancement:	The Town does not expect to direct purchase credit enhancement to provide for the payment of the principal of or interest on the Bonds.
Tax Exemption:	See Appendix B - "Opinion of Bond Counsel and Tax Exemption - Bonds" herein.
Certifying Agent, Registrar, Transfer Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, ctmuniservices@usbank.com

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

Delivery and Payment: It is expected that delivery of the Bonds in book-entry-only form through the facilities of DTC will be made on or about August 11, 2010 in New York, New York against payment in **Federal Funds**.

Final Official Statement: This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment.

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, annual financial information and operating data, notices of material events and notices of a failure to provide required information with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town in substantially the form as attached as Appendix D to this Official Statement. The Town has entered into a Disclosure Dissemination Agent Agreement with Digital Assurance Certification, L.L.C. (“DAC”) to provide certain continuing disclosure with respect to its general obligation securities in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934. DAC information is available at no charge at www.dacbond.com.

The Preliminary Official Statement is available in electronic form at www.i-dealprospectus.com. For additional copies of the Official Statement or requests for additional information, please contact Christine R. Caruolo, Assistant Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, telephone (860) 692-1711.

NOTE ISSUE SUMMARY

The information in this section, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	Town of East Haddam, Connecticut (the "Town")
Issue:	\$720,000 General Obligation Bond Anticipation Notes, book-entry only (the "Notes")
Financial Advisor:	Webster Bank, National Association, Hartford, Connecticut
Date and Method of Sale:	Telephone bids for the Notes will be received until 11:00 A.M. (E.D.T.) on Wednesday, July 21, 2010, as described in the Notice of Sale and Proposal for Notes by contacting a representative of Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut at (860) 692-1347 or (860) 692-1329.
Dated Date:	August 11, 2010
Interest Date:	At maturity – August 10, 2011
Principal Due:	At maturity – August 10, 2011
Purpose:	The Notes are being issued to refinance certain maturing notes originally issued to fund the construction of a new middle school, including land acquisition in connection therewith.
Redemption:	The Notes are not subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.
Bank Qualification:	The Notes <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 allocable to the Notes.
Credit Ratings:	Application has been made to Standard & Poor's for a rating on the Notes.
Credit Enhancement:	The Town does not expect to direct purchase credit enhancement to provide for the payment of the principal of or interest on the Notes.
Tax Exemption:	See Appendix C – "Opinion of Bond Counsel and Tax Exemption – Notes" herein.
Certifying Agent, Registrar, Transfer Agent and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, ctmuniservices@usbank.com
Legal Opinion:	Udike, Kelly & Spellacy, P.C., of Hartford and New Haven, Connecticut will act as Bond Counsel.

**Delivery and
Payment:**

It is expected that delivery of the Notes in book-entry-only form through the facilities of DTC will be made on or about August 11, 2010 in New York, New York against payment in **Federal Funds**.

**Final Official
Statement:**

This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment.

**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, notices of material events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town in substantially the form attached as Appendix E to this Official Statement. The Town has entered into a Disclosure Dissemination Agent Agreement with Digital Assurance Certification, L.L.C. (“DAC”) to provide certain continuing disclosure with respect to its general obligation securities in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934. DAC information is available at no charge at www.dacbond.com.

The Preliminary Official Statement is available in electronic form at www.i-dealprospectus.com. For additional copies of the Official Statement or requests for additional information, please contact Christine R. Caruolo, Assistant Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, telephone (860) 692-1711.

INTRODUCTION

The purpose of this Official Statement is to provide certain financial information and supplementary economic and demographic data relevant to the Town of East Haddam, Connecticut (the "Town") in connection with the sale of \$3,825,000 General Obligation Bonds, Issue of 2010 (the "Bonds"), and \$720,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

The Bonds are being offered for sale at public bidding. A Notice of Sale and Proposal for Bonds dated July 15, 2010 has been furnished to prospective bidders. Reference is made to the Notice of Sale which is included as Appendix F for the terms and conditions of the bidding.

The Notes are being offered for sale at public bidding. A Notice of Sale and Proposal for Notes dated July 15, 2010 has been furnished to prospective bidders. Reference is made to the Notice of Sale which is included as Appendix G for the terms and conditions of the bidding.

The successful bidders for the Bonds and Notes may add a separate page on the front of this Official Statement to indicate their names, the Bond and Note offering prices, the interest rate per annum on the Bonds and Notes, information regarding ratings and insurance (if any), and any other information which the successful bidders deem appropriate.

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

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

The information in this Official Statement has been prepared by the Town's financial advisor, Webster Bank, National Association (the "Bank"), from information supplied by the Town's officials and other sources as indicated. The Bank does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. An agreement between the Town and the Bank has been entered into to conform to Municipal Securities Rulemaking Board Rule G-23.

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

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

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 opinions in Appendices B and C herein), and it makes no representation that it has independently verified the same.

SECTION I - SECURITIES OFFERED

Description of the Bonds

The Bonds are being offered for sale at public bidding. A Notice of Sale and Proposal for Bonds dated July 15, 2010, a copy of which appears as Appendix F, has been furnished to prospective bidders. Reference is made to the Notice of Sale and Proposal for Bonds for the terms and conditions of the bidding.

The Bonds will be dated August 1, 2010 and will mature on August 1 in each of the years in the principal amount as follows:

<u>Due August 1</u>	<u>Principal Amount</u>	<u>Due August 1</u>	<u>Principal Amount</u>
2012	\$200,000	2022	200,000
2013	200,000	2023	200,000
2014	200,000	2024	200,000
2015	200,000	2025	200,000
2016	200,000	2026	200,000
2017	200,000	2027	200,000
2018	200,000	2028	200,000
2019	200,000	2029	200,000
2020	200,000	2030	225,000
2021	200,000		

Interest on the Bonds will be payable semiannually on the first day of February and August of each year until maturity, commencing August 1, 2011. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. Interest is payable to the registered owner as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association, as Paying Agent. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for any odd amount), with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-entry-only System" herein.

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

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

Description of the Notes

The Notes are being offered for sale at public bidding. Reference is made to the Notice of Sale and Proposal for Notes dated July 15, 2010 that is included as Appendix G for the terms and conditions of the bidding.

The Notes will be dated August 11, 2010 and will be due and payable as to both principal and interest at maturity, on August 10, 2011. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 30-day month and a 360-day year, at the rate or rates per annum specified by the successful bidder(s).

A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof (except for any odd amount), with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-entry-only System" herein.

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

Use of Proceeds

<u>Project</u>	<u>Amount Authorized</u>	<u>Previously Bonded</u>	<u>Notes Maturing</u>	<u>Paydowns</u>	<u>Bonds of This Issue</u>	<u>Notes of This Issue</u>
New middle school project	\$34,118,000	\$15,820,000	\$3,255,000	\$398,705	\$2,136,295	\$720,000
Open space acquisition	5,000,000	500,000	—	—	<u>1,688,705</u>	—
Total			\$3,255,000	\$398,705	\$3,825,000	\$720,000

Authorization and Purpose

Middle School Project: Bonds and Notes are being issued pursuant to an aggregate appropriation and borrowing authorization totaling \$34,118,000 adopted at referenda on June 24, 2004 and January 25, 2007 to fund the acquisition of approximately 226 acres of land for the site of a new middle school and other municipal purposes and the construction of a new middle school for grades 4 through 8.

Open Space: Bonds are being issued pursuant to an appropriation and borrowing authorization totaling \$5,000,000 adopted at a referendum on January 28, 2003 to fund the acquisition of real property for open space purposes and a subsequent referendum held on June 29, 2009 identifying specific parcels of property to be acquired.

School Construction Grants

Pursuant to Public Act No. 97-11 of the June 18 Special Session of the 1997 Connecticut General Assembly ("P.A. 97-11"), the State of Connecticut provides proportional progress payments for eligible school construction expenses on school construction projects approved after July 1, 1996. Under prior law, a municipality issued bonds for the entire amount needed for a school construction project and a State grant generally was paid by the State reimbursing the municipality for a certain percentage of principal and interest payments on its bonds when due. Under P.A. 97-11, a municipality requests progress payments from the State during the course of construction of the project. State grant funds 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.

The Town is currently receiving progress payments for eligible costs for the construction of the new middle school under the procedures set forth in P.A. 97-11 at approximately 48.93%, and, accordingly, is issuing its bonds only for its share of school construction costs.

Optional Redemption

The Notes are not subject to redemption prior to maturity.

The Bonds maturing on or before August 1, 2020 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2021 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2020, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the following redemption price, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2020 and thereafter	100.0%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

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

Ratings

Application has been made to Standard & Poor's for ratings on the Bonds and Notes. The Town furnished to the rating agency certain information and materials, some of which may not have been included in this Official Statement. Ratings, if obtained, will reflect only the view of the rating agency and will be subject to revision or withdrawal if, in the judgment of the rating agency, circumstances so warrant, which could affect the market price of the Bonds or Notes. There is no assurance that ratings will continue for any given period of time. The rating agency should be contacted directly for its ratings on the Bonds and Notes and the explanation of such ratings.

Credit Enhancement

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

Security and Remedies

The Bonds and Notes will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds and 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. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds 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 or 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 or 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 the 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 and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds, notes or other obligations.

Qualification for Financial Institutions

The Bonds 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.

Book-entry-only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and Notes. The Bonds and Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

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 or 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 or 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 or Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds or 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).

Principal and interest payments on, and redemption premium, if any, with respect to 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Beneficial Owners of Bonds or 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. For example, Beneficial Owners of Bonds or Notes may wish to ascertain that the nominee holding the Bonds or 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.

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

SECTION II - THE ISSUER

Description of the Town of East Haddam

The Town of East Haddam, Connecticut, located along the Connecticut River, was settled in 1685 and incorporated as a Town in 1734. East Haddam has been characterized as a rural, independent community composed of several unique villages and neighborhoods, including Millington, Hadlyme, North Plains, Leesville, Johnsonville, Moodus, Little Haddam, and the East Haddam Landings. Moodus is named for its famed "Moodus Noises," strange, audible rumblings that are seismic in origin and that figure prominently in Native American folklore. Moodus was also the site of a dozen water-powered textile mills during the nineteenth century.

The Town covers an area of 56.7 square miles and had an estimated population of 8,896 in 2008. East Haddam is located in Middlesex County and is bordered by East Hampton on the north, Colchester on the northeast, Salem on the east, Lyme on the southeast, Chester on the southwest, and Haddam on the west. The Town is situated almost exactly between New York and Boston, making the Town an attractive bedroom community for commuters. The Town is served by State Routes 82, 151, and 149 on the east side of the Connecticut River and has easy access to Routes 2 and 9, which are multi-lane divided State highways running north and south connecting with Interstate Highways 91, 95, and 395. General mass transportation is provided by bus service out of Middletown and Amtrak Rail passenger service on the Washington/New York/Boston line out of Old Saybrook, and the Goodspeed Airport caters to small, private aircraft. Bradley International Airport in Windsor Locks is located approximately 50 minutes to the northwest.

East Haddam has much to offer for local and regional tourism. The Town has numerous summer resorts, three large State parks, numerous lakes, rivers and streams, a reservoir, agricultural lands, scenic open spaces, and historic places, including the Goodspeed Opera House which offers a variety of musicals and other shows for theater-goers. There are docking facilities for recreational river cruise line vessels on the Connecticut River south of the Goodspeed Opera House. The East Haddam swing bridge, reputed to be the longest swing bridge in the world, sits directly across from the Goodspeed. At 819 feet, it was built in 1913. The bridge opens to recreation traffic on the hour and half hour.

East Haddam is also the home to the headwaters of the Eight Mile River, which runs through a greenway to protected open space. The Devil's Hopyard State Park protects the Eight Mile River as it tumbles over a rushing waterfall and through a hemlock gorge. The Salmon River borders the Town to the north and is the site of a State project to restore anadromous fish to Connecticut River tributaries.

Gillette State Park, site of Gillette Castle, was built by actor William Gillette, best known for his role as Sherlock Holmes. Construction was completed in 1919 for \$1 million on the estate of 184 acres. Each year the castle attracts over 200,000 visitors.

East Haddam's economy is based on small business, service industry, and tourism. Brownell and Co., Inc., the Town's oldest industry, began as a cotton textile company. The company transitioned to nylon twine, cordage, and fish and cargo nets, and today it is a leader in specialized archery supplies. Sales of building, plumbing and heating supplies, and various home-based businesses comprise some of the other industries in the Town.

In 2003, Franklin Academy opened as a private, nonprofit, coeducational boarding and day school that educates children in grades 9-12 with nonverbal learning disabilities. The school, which sits on a 75-acre campus in Town, recently received its accreditation from the New England Association of Schools and Colleges.

There are four separate tax districts within the territorial limits of the Town of East Haddam. They are Sunset Acres Association of Bashan Lake, Property Owners Association of Moodus Lake Shores, Property Owners Association of Lake Hayward, and Laurel Cove Association.

Government Organization

The Town operates with a Board of Selectmen, Board of Finance and Town Meeting under the provisions of the Connecticut General Statutes. The Town of East Haddam does not have a charter. The Board of Selectmen consists of three elected members serving concurrent two-year terms. The Board of Finance consists of six elected members serving overlapping four-year terms. The Town Meeting exercises the legislative power of the Town

and must approve the annual budget, all special appropriations or expenditures over \$20,000, and all bond and note authorizations, except for refunding bonds, which only require approval by the Board of Selectmen. The First Selectman, who is a member of the Board of Selectmen, is the chief executive officer of the Town and is responsible for the administration of all Town matters with the exception of the educational system. In 2002, the Town approved a new position of Finance Director who is responsible to the Board of Finance for the administration of the financial operations of the Town.

The Board of Finance is the budget-making authority and is responsible for the Town's financial and taxation matters, presenting the annual fiscal budget for the Annual Budget Meeting's approval, and establishing the tax rate.

The Board of Education is the Town's policy-making body for grades pre-kindergarten through twelve.

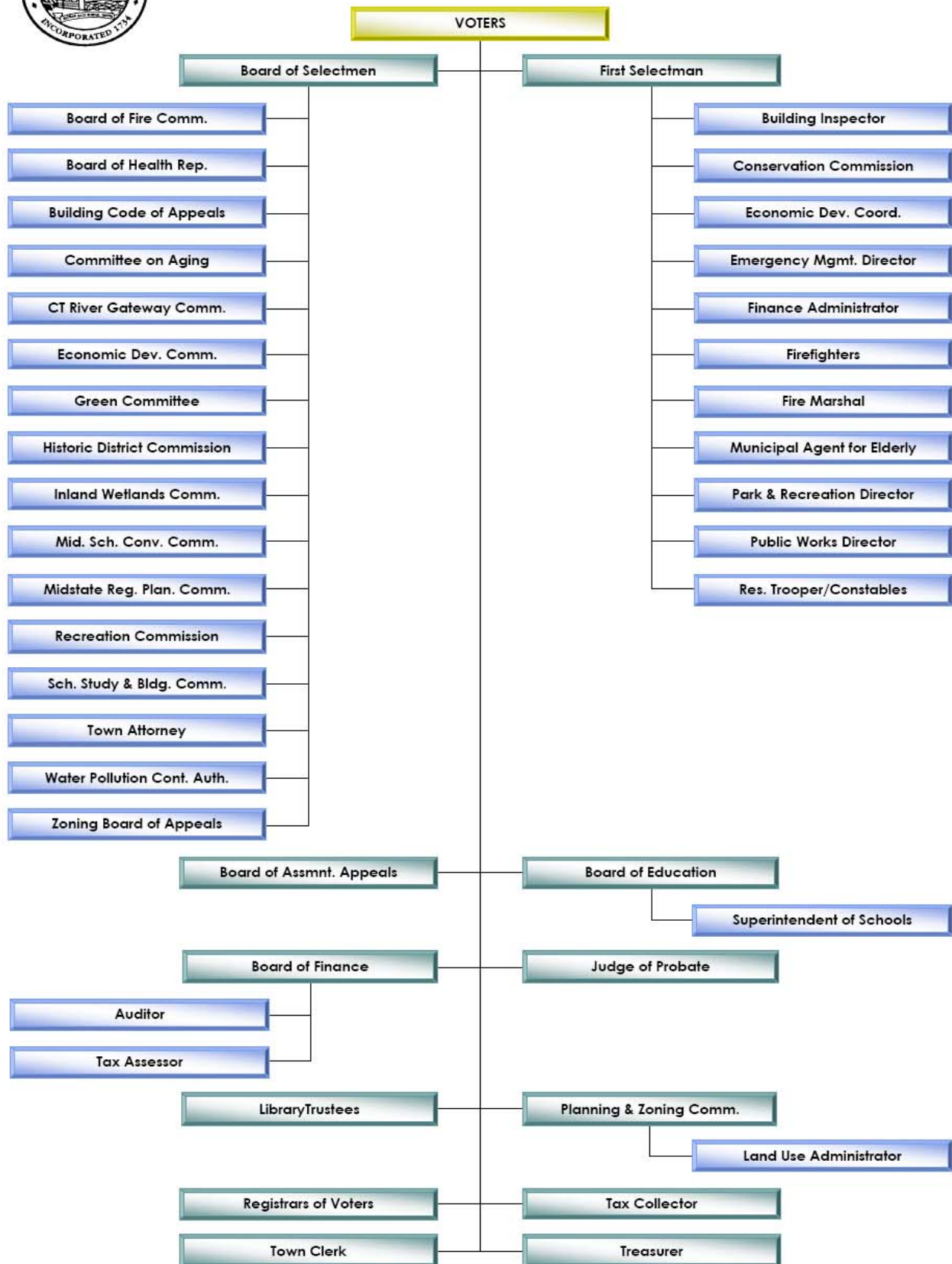
The Town has the power to incur indebtedness by issuing bonds and notes as provided by the Connecticut General Statutes.

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
First Selectman	Mark B. Walter	Elected/2 years	11/07 to date
Selectman	Emmett J. Lyman	Elected/2 years	11/07 to date
Selectman	Peter T. Govert	Elected/2 years	11/03 to date
Town Clerk	Debra H. Denette	Elected/2 years	01/04 to date
Tax Collector	Denise Dill	Elected/2 years	11/09 to date
Finance Administrator	Cynthia Varricchio	Appointed	08/09 to date
Treasurer	Kathleen A. Klinck	Elected/2 years	11/99 to date
Superintendent of Schools	Dr. Ellen Solek	Appointed	07/07 to date



ORGANIZATIONAL CHART



Summary of Municipal Services

Police: The Town has two Resident State Troopers out of Troop K, Colchester, of the Connecticut State Police Department, and six constables.

Fire: Fire protection is provided by the East Haddam Volunteer Fire Department in conjunction with the appointed three-member Board of Fire Commissioners. The Department has 47 fully trained volunteers operating three fully equipped volunteer fire companies. The Town also employs two full-time paid firefighters/EMTs. The neighboring Towns of East Hampton, Haddam, Colchester, Lyme and Salem provide mutual aid to East Haddam when necessary or as requested.

Sewer and Water: The East Haddam Village sewer project was completed in the spring of 1998. The Sewer District currently serves 150 residential and commercial units, including the Goodspeed Opera House, the Gelston House Restaurant and the Town Office Complex. The wastewater control plant is located behind the Goodspeed Airport and structurally blends within the historic district. The plant has a 55,000-gallon-per-day capacity and a reserve between 30–40%. The project was funded by grants from Rural Economic Community Development and the Clean Water Fund and a loan from the Connecticut Department of Environmental Protection Clean Water Fund. Developed properties outside the Sewer District are served by private on-site septic systems. The Town has no public water facilities.

Additionally, the Town is party to an intermunicipal agreement for septage waste disposal. The Town of East Hampton has agreed to accept septage from East Haddam and four other towns. East Hampton borrowed approximately \$800,000 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septage from other towns. Each town is committed to paying a portion of the cost of improvements over twenty years. Operating costs and a utilization fee will also be charged. The seventeenth annual payment of \$19,500 was made during the current fiscal year from the Town's General Fund. The Town expects to pay \$19,500 in the upcoming fiscal year under such agreement.

Solid Waste: The Town has a State-approved solid waste transfer station located on Town-owned property. Household refuse is brought to the station by residents or commercial haulers privately contracted. Compacted refuse is hauled by Willimantic Waste Paper Company for disposal. The Town has a five-year contract with Willimantic Waste Paper Company, which expires in June 2012. It does not require the guarantee of a minimum tonnage. The tipping fee for 2010 is \$61.60 per ton. Willimantic Waste is paid \$136.59 per trip for hauling. The tipping and hauling fees are paid as part of the Town's annual operating budget.

Recycling: In fiscal year 2009–10 the Town recycled in excess of 1,400 tons of all types of recyclables, or over 300 pounds per person.

Roads: The Town maintains 118.70 miles of local roads of which 100.95 miles are paved and 17.75 miles are unpaved.

Health Services: The Town joined the Chatham Health District in July 2002. This six-town district provides services to the Town that include well and septic permitting, nursing services, food inspections, water quality testing, and all other health-related services. The Town's budgeted contributions for 2010–2011 are \$71,168. Contributions are based on a per capita rate that is set annually. The 2010–11 per capita rate is \$8.00.

Open Space: The Town has vast expanses of forestland, numerous lakes, rivers and streams, agricultural lands, and scenic open spaces. It has extensive frontage on the Connecticut River, which includes open space areas held by the State at Gillette Castle State Park, Rich Island, Lord's Island, and open space areas held by The Nature Conservancy and East Haddam Land Trust on Chapman's Pond. The State of Connecticut also has owned Brainard Homestead State Park and Devil's Hopyard State Park along with certain Development Rights to the Cone's and Dill's Farmland for many years. Over the past fifteen years, the Town has actively partnered with the State of Connecticut, The Nature Conservancy and other conservation groups to purchase additional acres of land. The East Haddam Open Space Acquisition Ordinance, adopted in June 1998, established a reserve fund for the Town to acquire parcels of land for preservation, development rights and/or future municipal needs. On January 28, 2003, the Town authorized the issuance of bonds in the amount of \$5,000,000 for future open space acquisition. Recent purchases by the collective groups have included 300 acres at the Mt. Tom/Echo Farm site (now called Machimoodus State Forest); 293 acres of additional land in Babcock Wildlife Management Area; the Freestone property which consists of 312 acres, now called the Eight Mile River Wildlife Management Area; 86

acres known as the Urbanik parcel; the Lord Wellington subdivision, which consists of another 30 acres; the purchase of the 115-acre LeFebvre parcel on Jones Hill; and the purchase of the 70-acre Sabine parcel on the Moodus Reservoir. In 2009 the Town purchased a 5/6 share of the 300-acre Shugrue Farm, the 68-acre Valenti Parcel on Hemlock Valley Brook, and 55 acres next to the Eight Mile River from the Lyons Family, which acquisitions are to be reimbursed by certain bond proceeds financed by the Bonds. In 2010 the Town has an active application with the State DEP for the acquisition of 135 acres from the Harris Family and the purchase of development rights for 280 acres from the Dean Family.

Libraries: East Haddam is served by two public libraries. The East Haddam Free Public Library was established in 1889 and at a Town Meeting dated October 1, 1894 was voted to be the Town Library. It is partly endowed by the wills of Arthur J. Silliman and Violet M. Wakeman and partly supported by the Town. The building was a gift of Judge Albert E. Purple. Eighteen Directors are elected at the Town's regular election. The lower level of the library is space dedicated to a Children's Library, while the upper level contains materials for the adult and young adult members of the community.

The Rathbun Free Memorial Library, built in 1935, is partly endowed by the will of Norris Wheeler Rathbun. Thirteen townspeople serve on the Library Council. East Haddam's historic records, genealogy, Town and church records, as well as statistical and census records, are preserved in the library's Historic Room. The Town also supports library expenses through the General Fund.

Both libraries offer special programs for children and the community, books, audio-video materials and free internet access. The library systems are computerized, and the Rathbun belongs to LION, a regional library consortium, while the East Haddam Free Public is a part of the Connecticut State Library on-line ReQuest service.

Senior Housing and Transportation: The Senior Housing Corporation of East Haddam, Inc. is a private non-profit housing corporation, which owns 36 housing units and a community center at Oak Grove in Moodus. A Town medical car is available to seniors for trips to doctor appointments and a bus is available for clinics, shopping, trips and the daily noonday meals at the Nutrition Center. A second bus with wheelchair accessibility supplements the seniors' busing schedules.

Recreation: The East Haddam Recreation Commission consists of nine members and, with the Recreation Director, is responsible for the maintenance, operation and organization of year-round recreational programs and a Summer Youth Program at Town facilities. The Town owns and maintains a small boat-launching area on the Connecticut River. The Town Beach encompasses 57 acres of land on the Moodus Reservoir where swimming, boating, various field sports, swimming lessons and games are accommodated. In addition, Nichols Ball Field is located on a 127-acre tract used for a variety of recreational purposes and activities for residents of all ages, particularly Little League, softball and soccer. The numerous State forests, lakes, rivers and streams provide important recreational assets including game hunting, fishing, canoeing, hiking, picnicking and sight-seeing.

Utilities: Electricity is supplied by Connecticut Light and Power Co., a wholly owned subsidiary of Northeast Utilities.

Educational System

The Town's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. East Haddam has a nine-member Board of Education with each member elected to six-year staggered terms. The primary function of the Board is to establish educational policy. Some of the areas for which policies are set include curriculum, budget requests submission, 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.

Presently, the Town has one school for grades pre-kindergarten through three, a middle school for grades four through eight, and a high school for grades nine through twelve. Enrollment in the system as of October 1, 2009, not including special education, was 1,386. The rated capacity of the system facilities is 1,498.

School Enrollments

<u>As of October 1</u>	<u>Grades K-4</u>	<u>Grades 5-8</u>	<u>Grades 9-12</u>	<u>Pre-K and Special Education</u>	<u>Total Enrollment</u>
<i>Historical</i>					
1998	566	423	348	24	1,361
1999	601	430	327	28	1,386
2000	599	443	337	22	1,401
2001	585	471	314	19	1,389
2002	589	464	339	19	1,411
2003	572	489	330	25	1,416
2004	560	499	339	22	1,420
2005	565	459	363	19	1,406
2006	528	465	387	26	1,406
2007	518	477	406	18	1,419
	<u>Grades Pre-K-3</u>	<u>Grades 4-8</u>	<u>Grades 9-12</u>		<u>Total Enrollment</u>
2008	433	572	418		1,423
2009	421	559	406		1,386
<i>Projected</i>					
2010	419	541	389		1,349
2011	402	520	409		1,331
2012	376	528	395		1,299
2013	371	517	383		1,271
2014	376	498	380		1,254

Principal Public Facilities

School Facilities¹

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction (Latest remodeling)</u>	<u>Number of Classrooms (General/Total)</u>	<u>Enrollment 10/1/09</u>	<u>Rated Capacity</u>
East Haddam Elementary ...	Pre-K-	1962 (1989)	26/30	421	480
Middle School	3	2008	30/47	559	618
High School	4-8	1994	<u>22/28</u>	<u>406</u>	<u>400</u>
Total	9-12		78/105	1,386	1,498

¹Figures are based on data from the 2009-10 school year.

Other Public Facilities

<u>Facility</u>	<u>Date Constructed</u>	<u>Additions & Renovations</u>	<u>Type of Construction</u>	<u>Planned Major Improvements/ Replacements</u>
Town Office Building	Acquired 4/57	1966, 1981	Wood frame	None
The River House	Acquired 7/73	1980	Wood frame	None
Storage facility/garage	Acquired 7/73	None	Wood/steel frame	None
Public Works Depot	2000	None	Masonry/steel	None
East Haddam Town Hall	1857	1979	Wood frame	None
Transfer Station	1978	1980, 1990	Masonry/steel	None
Firehouse, Co. #1	1975	None	Brick/masonry	None
Firehouse, Co. #2	1990	None	Metal/steel frame	None
Firehouse, Co. #3	1968	None	Wood frame	None
Grange Hall	Acquired 9/01	None	Wood frame	None
Senior Center	Opened 11/05	None	Wood frame	None
Former Middle School	1922	1984	Brick/masonry	See below ¹

¹At a Town Meeting held on November 20, 2008, the electors and citizens approved the establishment of a Middle School Conversion Committee for the purpose of the design and construction of municipal offices and related improvements to the former Nathan Hale-Ray Middle School. It is anticipated that the Committee's recommendations will culminate in a referendum to be held in the fall of 2010.

Municipal Employees¹

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
General government	34	34	34	35	35
Board of Education	<u>190</u>	<u>195</u>	<u>194</u>	<u>189</u>	<u>189</u>
Total	224	229	228	224	224

¹Full-time equivalent

Municipal Employees Bargaining Organizations

<u>Employees</u>	<u>Bargaining Organizations</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<i>General Government</i>			
Town office clerical	CSEA/SEIU, AFL-CIO, Local #760 - East Haddam Clerical Association	8	06/30/11
Highway department	General Teamsters,, Local #493	9	06/30/12
Firefighters	UPPFA, IAFF. Local #3831 East Haddam Firefighters Union	2	06/30/11
Police	UPSEU/COPS	5 (part time)	TBD ¹
Transfer station.....	International Union of Operating Engineers, Local 30	3	06/30/12
<i>Board of Education</i>			
School administrators	East Haddam Administrators' Association	7	06/30/12
Teachers	East Haddam Education Association	122	06/30/11
Other school personnel	UPSEU	61	06/30/10 ²

¹ The Police union just recently formed, and the initial labor contract is still being negotiated.

² In negotiation.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either 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 irrebuttable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

SECTION III - DEMOGRAPHIC AND ECONOMIC DATA SECTION

Economic Development

East Haddam is proud to be the home of a world-renowned, Tony Award-winning theater, the Goodspeed Opera House; a top Connecticut tourist attraction, Gillette Castle State Park; and numerous small- to medium-scale independent businesses. These include family businesses like Ballek's Garden Center, Cave Hill Resort, Chesthelm Convalescent Hospital, Inc. and Shagbark Lumber Company.

The Goodspeed Opera House is perched on the banks of the Connecticut River. The Goodspeed was built in 1876 by William Goodspeed for his shipping and banking business and to provide a venue for his love of theater. The opera house opened on October 24, 1877, and after Goodspeed's death, the opera house went from serving as a militia base during World War I to a general store to a storage depot for the State of Connecticut Highway Department. In 1959, a group of Town volunteers raised the money to restore the building, and the Goodspeed Opera House was rededicated on June 18, 1963. In addition to entertainment, the Goodspeed serves as a historical attraction, research facility, and educational forum attracting visitors and musical theater students nationwide. In 2009, the opera house attracted over 100,000 patrons during the 37-week season.

Gillette Castle State Park is a unique fieldstone castle that was home to legendary stage actor, William Gillette. The State of Connecticut purchased the park after his death. The 184-acre park is situated on a hill overlooking the Connecticut River. Gillette, best known for his portrayal of Sherlock Holmes on stage, designed his house with intricately carved locks and wood doors. Hiking trails, picnic spots, food concession, and gift shop are all located on site. Thousands of visitors from all over the world visit every year.

When the tourists visiting Gillette Castle, Machimoodus, Sunrise and nearby Devil's Hopyard State Parks are combined, the Town proudly welcomes over 250,000 outdoor visitors each year. These tourism hot spots contribute greatly to the Town's current economic development and its plans for the future.

At present, the Town is implementing Phase II of a long-range goal to revitalize many areas of Town. A large school building (the former Nathan Hale-Ray middle school) in the Moodus portion of East Haddam was vacated, and the Town is in the pre-referendum phase to convert this building to new Town offices. The volunteer Conversion Committee will be selecting a construction manager for this long-awaited project and plans to obtain bids before going to referendum this fall. Currently the Town Hall sits on one of the most valuable real estate parcels in all of Middlesex County, on the Connecticut River, across the street from the Goodspeed Theater. The Revitalization Committee, charged with formulating an economic development plan for this area-locally known as East Haddam Village-has recently contracted with an architect to put to paper the vision for that property. At the same time, the Goodspeed Opera House has broken ground for its new actor housing project. This long-awaited and Town-supported project will free up six additional properties on Main Street in East Haddam Village. Through its support, the Town will be advocating for redevelopment of such properties, in addition to an almost three-acre Town-owned site directly next to the historic East Haddam swing-bridge, overlooking the Connecticut River.

The Town recently approved a Tax Incentive Program ordinance, which it believes is one of the most aggressive in the area. The Economic Development Commission will be heavily marketing this program along with some key properties that the Town is pursuing for economic development. Also, while the commission was not successful in obtaining two grants it recently applied for, one for federal transportation dollars and the other an EPA assessment grant, the commission in conjunction with the Finance Department continues to take advantage of any opportunities to obtain funding assistance for economic development.

The Town continues to welcome compatible business interests, such as the Fox Hopyard Golf Course, which opened in 2001. In addition to 18 holes, the property also contains a golf shop, restaurant, tennis facilities, practice facilities, and meeting rooms. The Residences at Fox Hopyard are situated around the golf course with 53 home sites and over 230 acres of open space. The "Best of Northeast Golf 2007" rated Fox Hopyard as the Best Conditioned Golf Course, Best New or Renovated Course, Best Overall Course, and Best Golf Real Estate Development. As well, in March of 2002, *Golfweek Magazine* listed Fox Hopyard as the Number One Public Access Course in Connecticut. The course continues to be recognized as an industry leader. Also, in

2006, Banner Lodge Country Club received approval for the construction of 86 condominium units next to an existing 18-hole golf course. The entire site contains 405 acres and there are plans for additional phases involving the construction of additional units and upgrades to the golf course. Last year, the banquet facility and new gym/pool area were completed. The Town is currently working with the club as it plans the final phase of this multi-million dollar investment in the community.

The Town is proud of all the small businesses that call East Haddam home. At the most recent Town-wide business meeting, several business owners complimented the Town's dedication to their continued success. The Town will be working with business owners to form East Haddam's first business association later this year.

Population and Density

<u>Year</u>	<u>Population¹</u>	<u>Percent Change</u>	<u>Density²</u>
2008	8,896	6.8	156.9
2000	8,333	24.8	147.0
1990	6,676	18.8	117.7
1980	5,621	20.2	99.1
1970	4,676	28.6	82.5
1960	3,637	-	64.1

Sources:¹ U.S. Department of Commerce, Bureau of Census, Census of Population 1960-2000; State of Connecticut Department of Public Health estimate July 1, 2008.

² Population per square mile: 56.7 square miles.

Age Distribution of the Population

<u>Age¹</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	580	7.0	223,344	6.5
5 to 9 years	613	7.4	244,144	7.2
10 to 14 years	588	7.0	241,587	7.1
15 to 19 years	474	5.7	216,627	6.4
20 to 24 years	266	3.2	187,571	5.5
25 to 34 years	1,080	13.0	451,640	13.2
35 to 44 years	1,695	20.3	581,049	17.1
45 to 54 years	1,368	16.4	480,807	14.1
55 to 59 years	477	5.7	176,961	5.2
60 to 64 years	306	3.7	131,652	3.9
65 to 74 years	454	5.4	231,565	6.8
75 to 84 years	290	3.5	174,345	5.1
85 years and over	<u>142</u>	<u>1.7</u>	<u>64,273</u>	<u>1.9</u>
Total	8,333	100.0	3,405,565	100.0
2000 median age (years) ¹	38.5	-	37.4	-
1990 median age (years) ²	34.9	-	34.4	-

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

² U.S. Department of Commerce, Bureau of Census, 1990 Census.

Income Distribution

	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999	–	–	33,423	3.8
10,000 – 14,999	29	1.3	23,593	2.7
15,000 – 24,999	98	4.4	63,262	7.1
25,000 – 34,999	156	7.0	75,413	8.5
35,000 – 49,999	293	13.2	120,134	13.6
50,000 – 74,999	642	28.8	198,924	22.5
75,000 – 99,999	484	21.7	141,981	16.0
100,000 – 149,999	381	17.1	132,177	14.9
150,000 – 199,999	79	3.6	42,472	4.8
200,000 and over	<u>65</u>	<u>2.9</u>	<u>54,368</u>	<u>6.1</u>
Total	2,227	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Comparative Income Measures

	<u>Town of East Haddam</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$28,112	\$28,766
Median family income, 1999	\$70,091	\$65,521
Median household income, 1999	\$62,304	\$53,935
Percent below poverty, 1999 (families) ..	1.0%	5.6%

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Educational Attainment Years of School Completed – Age 25 and Over

	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th grade	194	3.3	132,917	5.8
9 th to 12 th grade, no diploma	357	6.2	234,739	10.2
High school graduate	1,775	30.7	653,300	28.5
Some college, no degree	1,157	20.0	402,741	17.5
Associate's degree	547	9.4	150,926	6.6
Bachelor's degree	1,083	18.7	416,751	18.2
Graduate or professional degree	<u>675</u>	<u>11.7</u>	<u>304,243</u>	<u>13.2</u>
Total	5,788	100.0	2,295,617	100.0
Total high school graduate or higher	–	90.5	–	84.0
Total bachelor's degree or higher	–	30.4	–	31.4

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Labor Force Data

<u>Reporting Period Average</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>		
				<u>Town of East Haddam</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
May 2010	5,265	4,903	362	6.9	8.6	8.8
2009	5,278	4,942	336	6.4	8.3	8.2
2008	5,21	4,992	229	4.4	5.8	5.7
2007	5,188	4,998	191	3.7	4.7	4.5
2006	5,091	4,927	164	3.2	4.4	4.3
2005	5,025	4,827	198	3.9	5.1	4.9
2004	4,974	4,771	203	4.1	5.2	4.9
2003	4,962	4,739	223	4.5	5.8	5.5
2002	4,912	4,725	187	3.8	4.5	4.4
2001	4,509	4,379	130	2.9	3.3	3.1
2000	4,253	4,165	88	2.1	2.4	2.3
1999	4,061	3,940	121	3.0	3.3	2.7

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

Industry Classification

<u>Sector</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining	12	0.3	7,445	0.4
Construction	337	7.3	99,913	6.0
Manufacturing	841	18.3	246,607	14.8
Wholesale trade	123	2.7	53,231	3.2
Retail trade	500	10.9	185,633	11.2
Transportation, warehousing and utilities	336	7.3	64,662	3.9
Information	91	2.0	55,202	3.3
Finance, insurance, real estate and leasing	330	7.2	163,568	9.8
Professional, scientific, management, administrative and waste management	333	7.3	168,334	10.1
Educational, health and social services	929	20.2	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	298	6.5	111,424	6.7
Other services	231	5.0	74,499	4.5
Public administration	<u>230</u>	<u>5.0</u>	<u>67,354</u>	<u>4.1</u>
Total	4,591	100.0	1,664,440	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Major Employers

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

<u>Employer</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees¹</u>
Town of East Haddam	Municipality	229
Cesthelm Convalescent Hospital, Inc.	Convalescent home	144
Goodspeed Opera House	Opera house	85
Shagbark Lumber & Farm Supplies	Lumber/farm supply retailer	70
Franklin Academy	School	50
Fox Hopyard Golf Club	Golf course	25

¹Full-time equivalent.

Various Town resorts and two public golf courses continue to provide seasonal employment for tourism service. Gillette Castle is a State-owned park that also provides seasonal employment to accommodate visitors.

Commute to Work 16 years of age and over

	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone	3,835	84.7	1,312,700	80.0
Car pools	453	10.0	154,400	9.4
Using public transportation	7	0.2	65,827	4.0
Walked	83	1.8	44,348	2.7
Using other means	-	-	12,130	0.8
Worked at home	148	3.3	51,418	3.1
Total	4,526	100.0	1,640,823	100.0
Mean travel to work (minutes)	31.2	-	24.4	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Age Distribution of Housing

<u>Year Structure Built</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier	926	23.1	308,896	22.3
Built in 1940-1969	1,255	31.2	571,218	41.2
Built in 1970-1979	518	12.9	203,377	14.7
Built in 1980-1989	612	15.2	183,405	13.2
Built in 1990-1994	344	8.6	56,058	4.0
Built in 1995-March 2000	360	9.0	63,021	4.6
Total	4,015	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Housing Units by Type of Structure

<u>Units in Structure</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached	3,570	88.9	816,706	58.9
Single-family attached	49	1.2	71,185	5.1
Multifamily	380	9.5	485,890	35.1
Mobile home, trailer, or other	<u>16</u>	<u>0.4</u>	<u>12,194</u>	<u>0.9</u>
Total	4,015	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Housing Unit Vacancy Rates

<u>Housing Units</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units	3,174	79.1	1,301,670	93.9
Vacant housing units	<u>841</u>	<u>20.9</u>	<u>84,305</u>	<u>6.1</u>
Total units	4,015	100.0	1,385,975	100.0
Homeowner vacancy rate	-	1.1	-	1.1
Rental vacancy rate	-	3.5	-	5.6

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Note: The high percentage of vacant housing units may be attributed to the large number of summer homes, located on the many lakes within the Town.

Owner-occupied Housing Units

	<u>Town of East Haddam</u>	<u>State of Connecticut</u>
Total owner-occupied units	2,675	869,729
Persons per unit	2.66	2.67
Mean number of rooms	5.8	5.6

<u>Specified Owner-occupied Units</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	20	0.9	5,996	0.8
\$ 50,000 to \$ 99,999	98	4.2	85,221	11.7
\$100,000 to \$149,999	684	29.4	212,010	29.1
\$150,000 to \$199,999	813	34.9	156,397	21.5
\$200,000 to \$299,999	547	23.5	137,499	18.9
\$300,000 to \$499,999	166	7.1	79,047	10.9
\$500,000 or more	<u>-</u>	<u>-</u>	<u>52,074</u>	<u>7.1</u>
Total	2,328	100.0	728,244	100.0
Median value	\$166,100	-	\$166,900	-

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Residential</u>		<u>Industrial/ Commercial</u>		<u>Other</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2009-10	197	\$ 9,673,728	12	\$ 339,070	439	\$1,581,630	684	\$11,594,428
2008-09	207	6,756,240	9	1,025,020	398	1,850,270	614	9,631,530
2007-08	120	4,285,905	3	371,875	115	517,050	238	5,174,830
2006-07	263	14,169,690	18	26,920,027 ¹	142	750,880	423	41,840,597
2005-06	288	17,473,980	11	454,120	114	752,420	413	18,680,520
2004-05	284	15,271,345	11	1,222,720	93	563,110	388	17,057,175
2003-04	268	16,779,940	13	1,385,940	111	645,890	392	18,811,770
2002-03	206	11,640,820	6	363,000	102	343,070	314	12,346,890
2001-02	267	11,477,425	4	691,050	-	-	271	12,168,475
2000-01	242	11,498,770	13	1,584,000	-	-	255	13,082,770
1999-00	243	11,340,280	11	190,730	1	22,000	255	11,553,010
1998-99	228	11,040,270	9	370,470	3	893,470	240	12,304,210
1997-98	221	10,589,890	7	132,010	2	8,500	230	10,730,400

¹Includes \$26,135,257 for the new middle school project.

Number and Size of Households

<u>Household Characteristics</u>	<u>Town of East Haddam</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households	8,194	-	3,297,626	-
Persons per household (average)	2.58	-	2.53	-
Persons per family (average)	3.02	-	3.08	-
Family households	2,286	72.0	881,170	67.7
Non-family households	888	28.0	420,500	32.3
All households	3,174	100.0	1,301,670	100.0
Family households by type				
Married couple	1,977	86.5	676,467	76.8
Female householders, no spouse	219	9.6	157,411	17.8
Other	90	3.9	47,292	5.4
Total family households	2,286	100.0	881,170	100.0
Non-family households by type				
Householders living alone	679	76.5	344,224	81.9
Other	209	23.5	76,276	18.1
Total non-family households	888	100.0	420,500	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000 Census.

SECTION IV - DEBT SECTION

Debt Summary Pro Forma As of August 11, 2010

Outstanding Short-term Debt

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Notes of This Issue</u>	<u>Maturity Date</u>	<u>Legal Renewable Limit</u>
New middle school project	\$34,118,000	\$720,000	08/10/11	05/16/17

Outstanding Bonded Debt

<u>Dated Date</u>	<u>Purpose</u>	<u>Rate</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>	<u>Final Maturity</u>
11/25/97	State of Connecticut Clean Water Fund Loan	2.00	\$ 1,561,364	\$ 486,214	06/30/16
08/15/98	Refunding	3.90-4.60	5,755,000	790,000	06/01/12
03/01/03	Refunding	2.00-3.60	2,760,000	750,000	05/01/13
05/15/08	Various purpose	3.25-4.75	16,650,000	15,400,000	05/15/28
08/01/10	This issue	-	3,825,000	<u>3,825,000</u>	08/01/30
Total				\$21,251,214	

Bonded Debt Maturity Schedule Pro Forma As of August 11, 2010

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>	<u>This Issue</u>	<u>Cumulative Principal Retired</u>
2011 ¹	\$ 1,485,329	\$ 681,940	\$ 2,167,269	\$ -	6.99
2012	1,217,177	628,276	1,845,453	-	12.72
2013	1,077,177	585,610	1,662,787	200,000	18.73
2014	857,177	550,771	1,407,948	200,000	23.70
2015	982,177	512,315	1,494,492	200,000	29.26
2016	982,177	481,422	1,463,599	200,000	34.83
2017	910,000	450,156	1,360,156	200,000	40.05
2018	920,000	416,031	1,336,031	200,000	45.32
2019	920,000	372,331	1,292,331	200,000	50.59
2020	925,000	335,531	1,260,531	200,000	55.88
2021	925,000	298,531	1,223,531	200,000	61.18
2022	925,000	261,531	1,186,531	200,000	66.47
2023	925,000	224,531	1,149,531	200,000	71.77
2024	875,000	186,375	1,061,375	200,000	76.82
2025	875,000	150,281	1,025,281	200,000	81.88
2026	875,000	113,094	988,094	200,000	86.94
2027	875,000	75,906	950,906	200,000	92.00
2028	875,000	38,282	913,282	200,000	97.06
2029	-	-	-	200,000	98.00
2030	-	-	-	200,000	98.94
2031	-	-	-	<u>225,000</u>	100.00
Total	\$17,426,214	\$6,362,914	\$23,789,128	\$3,825,000	

¹ Excludes \$6,848 of principal payments and \$823 of interest payments made from July 1, 2010 through August 11, 2010.

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

Overlapping/Underlying Debt

The Town does not have any overlapping or underlying debt.

**Statement of Statutory Debt Limitation
Pro Forma
As of August 11, 2010**

Debt Limitation Base

Estimated total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2010 (unaudited)	<u>\$20,024,429</u>
Debt Limitation Base	<u>\$20,024,429</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
Debt Limitation by Purpose					
2.25 x base	\$45,054,966				
4.50 x base	-	\$90,109,932			
3.75 x base	-	-	\$75,091,610		
3.25 x base	-	-	-	\$65,079,396	
3.00 x base	-	-	-	-	\$60,073,288
Total debt limitation	45,054,966	90,109,932	75,091,610	65,079,396	60,073,288
Less indebtedness					
Notes payable (this issue)	-	720,000	-	-	-
Bonds of this issue	1,688,705	2,136,295	-	-	-
Bonds payable	440,000	16,500,000	486,214	-	-
Bonds authorized but unissued	<u>2,811,295</u>	<u>471,987</u>	<u>15,684</u>	-	-
Total overall indebtedness	4,940,000	19,828,282	501,898	-	-
Less school construction grants	<u>-</u>	<u>679,277</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net indebtedness	4,940,000	19,828,282	501,898	-	-
Debt limitation in excess of outstanding and authorized debt	\$40,114,966	\$70,281,650	\$74,589,712	\$65,079,396	\$60,073,288

For the purpose of determining a municipality's compliance with the statutory debt limitation, there is no requirement that unissued debt though authorized be considered.

Note : In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$140,171,006.

Five-year Debt Statement Summary
(\$ in thousands)

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Population ¹	8,896	8,896	8,852	8,857	8,789
Net taxable grand list	\$981,138	\$700,009	\$678,582	\$668,592	\$650,743
Estimated full value	\$1,401,626	\$1,000,013	\$969,403	\$955,131	\$929,633
Short-term debt	\$ 4,540	\$ 4,700	\$18,400	\$ -	\$ -
Bonded debt	<u>18,940</u>	<u>20,457</u>	<u>4,715</u>	<u>5,642</u>	<u>6,584</u>
Total overall debt	23,480	25,157	23,115	5,642	6,584
Less grants receivable	<u>1,033</u>	<u>1,392</u>	<u>1,513</u>	<u>1,850</u>	<u>2,512</u>
Total overall net debt	\$22,447	\$23,765	\$21,602	\$3,792	\$4,072

Source: ¹ State of Connecticut Department of Public Health estimate.

Five-year Debt Statement Summary Ratios

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Overall debt					
Per capita	\$2,639	\$2,828	\$2,611	\$637	\$749
To net taxable grand list	2.39%	3.59%	3.41%	0.84%	1.01%
To estimated full value	1.68%	2.52%	2.38%	0.59%	0.71%
Overall net debt					
Per capita	\$2,523	\$2,671	\$2,440	\$428	\$463
To net taxable grand list	2.29%	3.39%	3.18%	0.57%	0.63%
To estimated full value	1.60%	2.38%	2.23%	0.40%	0.44%

Current Debt Statement
Pro Forma
As of August 11, 2010

Bonded debt	
General purpose (including this issue)	\$ 2,128,705
Schools (including this issue)	18,636,295
Sewers	<u>486,214</u>
Total bonded debt	21,251,214
Short-term debt (this issue)	<u>720,000</u>
Total overall debt	21,971,214
Less school construction grants receivable	<u>679,277</u>
Total overall net debt	\$21,291,937

**Current Debt Ratios
Pro Forma
As of August 11, 2010**

Population (2008) ¹	8,896	
Per capita income, 1999 ²	\$28,112	
Net taxable grand list, 10/1/09	\$976,174,837	
Estimated full value @ 70%	\$1,394,535,481	
Equalized net grand list (2007) ³	\$1,393,560,644	
	Overall Debt	Overall Net Debt
	<u>\$21,971,214</u>	<u>\$21,291,937</u>
Per capita	\$2,469.79	\$2,393.43
To net taxable grand list	2.25%	2.18%
To estimated full value	1.58%	1.53%
To net equalized grand list	1.58%	1.53%
Ratio of debt per capita to per capita income	8.79%	8.51%

Sources: ¹ State of Connecticut Department of Public Health estimate.
² U.S. Department of Commerce, Bureau of Census, 2000 Census.
³ State of Connecticut, Office of Policy and Management.

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

Fiscal Year Ended June 30	Debt Service	General Fund Expenditures	Debt Service as Ratio to General Fund Expenditures
2009	\$2,361,928	\$28,743,249	8.22
2008	1,078,303	31,490,544	3.42
2007	1,129,612	24,393,212	4.63
2006	1,176,168	23,429,804	5.02
2005	1,248,810	21,941,822	5.69

**Authorized-but-Unissued Debt
Pro Forma
As of August 11, 2010**

Project	Borrowing Authorization	Previously Bonded	Grants/ Paydowns	Bonds and Notes of This Issue	Authorized but Unissued Debt
New middle school project ¹	\$34,118,000	\$15,820,000	\$14,969,718	\$2,856,295	\$ 471,987
Open space	5,000,000	500,000	-	1,688,705	2,811,295
Clean Water Fund	<u>1,577,048</u>	<u>1,561,364</u>	<u>-</u>	<u>-</u>	<u>15,684</u>
Total	\$40,695,048	\$17,881,364	\$14,969,718	\$4,545,000	\$3,298,966

¹The Town expects to receive an effective reimbursement rate of approximately 49% from the State of Connecticut. The Town is awaiting final audit results to determine if any additional borrowing is necessary.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes. The issuance of bonds and notes is authorized by the Town Meeting or referendum upon the recommendation of the Board of Finance except for the issuance of refunding bonds, which require authorization by only the Board of Selectmen (CGS Sec. 7-370c). Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes.

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 and certain school building projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

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

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 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).

SECTION V - FINANCIAL SECTION

The financial information for the fiscal years ended June 30, 2005 through 2009 has been derived from audited financial statements. The adopted budget for 2010-11 was provided by the Town. The Town's independent accountants have not examined, reviewed or compiled any of the estimates presented herein or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assume no responsibility for them. Except for Appendix A to this Official Statement, the financial information presented herein is the responsibility of the Town's management (Appendix A - "Auditor's Section" was taken from the Annual Financial Report of the Town of East Haddam for the Fiscal Year ended June 30, 2009).

Taxable Grand List (\$ in thousands)

<u>Grand List 10/1</u>	<u>Residential</u>	<u>Commercial and Industrial</u>	<u>Other</u>	<u>Personal</u>	<u>Motor</u>	<u>Gross</u>		<u>Net</u>	<u>Percent Change</u>
	<u>Real Property Percent</u>	<u>Real Property Percent</u>	<u>Real Property Percent</u>	<u>Property Percent</u>	<u>Vehicle Percent</u>	<u>Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Taxable Grand List</u>	
2009	83.2	4.6	3.7	1.8	6.7	\$983,734	\$7,559	\$976,175	0.3
2008	83.1	4.8	3.8	1.8	6.5	981,109	7,833	973,276	(0.8)
2007	82.6	5.1	3.6	1.9	6.8	988,289	7,151	981,138	40.2
2006	69.0	5.2	13.8	2.6	9.4	706,635	6,771	699,864	3.1
2005	68.3	5.3	14.5	2.6	9.3	683,294	4,713	678,581	1.5
2004	68.7	5.4	14.3	2.8	8.8	673,199	4,607	668,592	2.7
2003	68.6	5.9	14.7	2.5	8.3	654,879	4,136	650,743	2.6
2002	68.7	5.5	15.0	2.4	8.4	637,965	3,572	634,393	-

Date of last general revaluation, 10/1/07.

Tax Collections

<u>Fiscal Year Ended 6/30</u>	<u>Grand List 10/1</u>	<u>Mill Rate</u>	<u>Adjusted Annual Levy</u>	<u>Percent of Annual Levy Collected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected as of 6/30/10</u>
2010 ¹	2008	20.55	\$19,975,912	99.1	0.9	0.9
2009	2007	20.55	20,064,556	98.9	1.1	0.3
2008	2006	27.78	19,513,888	99.0	1.0	0.1
2007	2005	27.23	18,609,796	99.2	0.8	0.1
2006	2004	26.28	17,715,547	99.3	0.7	-
2005	2003	25.35	16,510,748	99.4	0.6	-
2004	2002	24.41	15,564,837	99.4	0.6	-
2003	2001	30.90	14,674,589	98.5	1.5	-
2002	2000	29.93	13,747,541	98.8	1.2	-
2001	1999	29.23	13,021,224	98.7	1.3	-

¹Unaudited.

Property Taxes Receivable

<u>Fiscal Year Ended June 30</u>	<u>Current Year</u>	<u>Total</u>
2009	\$218,246	\$274,622
2008	189,167	230,934
2007	146,267	177,328
2006	120,213	142,322
2005	104,191	127,276
2004	90,938	300,742
2003	223,785	405,839
2002	165,191	306,506

Major Taxpayers

<u>Name</u>	<u>Business</u>	<u>Taxable Valuation As of 10/1/09</u>	<u>Percent of Net Taxable Grand List</u>
Connecticut Light & Power Co., Inc.	Utility	\$ 9,248,000	0.95
Fox Hopyard Golf Club LLC	Golf course	4,754,350	0.49
Hadlyme Hills LLC	Private school	4,063,720	0.41
Banner Lodge Enterprises LLC	Real estate	3,500,660	0.36
Elm Camp Co.	Resort	2,441,880	0.25
Fox Hopyard Realty LLC	Real estate	2,390,200	0.24
Banner Country Club Corp.	Golf course	2,331,210	0.24
Wildwood Inc.	Real estate	2,327,790	0.24
MJABC LLC	Resort	2,092,326	0.21
Goodspeed Airport LLC	Airport	<u>1,943,320</u>	<u>0.20</u>
Total		\$35,093,456	3.59

Net Taxable Grand List for 10/1/09: \$976,174,837.

Intergovernmental Revenues as a Percent of General Fund Revenues

<u>Fiscal Year Ended June 30</u>	<u>Intergovernmental Revenues</u>	<u>General Fund Revenues</u>	<u>Percent</u>
2009	\$ 6,772,352	\$28,044,944	24.1
2008 ¹	11,649,505	32,601,192	35.7
2007	5,754,603	26,087,232	22.1
2006	5,696,833	24,947,031	22.8
2005	5,020,989	23,233,573	21.6

¹ Includes \$5,934,578 State on-behalf payment for teachers' pensions.

Capital Improvement Program

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General government	\$ 10,000	\$ 10,000	\$ 35,000	\$ 32,500	\$ 96,500
Public safety	38,500	112,500	546,500	63,500	50,000
Public works	672,780	745,108	714,000	732,000	719,000
Recreation and leisure	6,050	10,000	5,000	5,000	10,000
Schools	<u>675,000</u>	<u>300,000</u>	<u>250,000</u>	<u>490,000</u>	<u>435,000</u>
Total uses	\$1,402,330	\$1,177,608	\$1,550,500	\$1,323,000	\$1,310,500

The Capital Improvement Program is funded annually through the operating budget. Additionally, the Town has a Reserve for Capital Projects Fund that may be used for the acquisition or construction of major capital facilities or for major capital projects. For the fiscal year 2010-11 it is anticipated that \$1,000,000 will be transferred to complete capital projects/improvements.

Comparative Balance Sheets

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>
<i>Assets</i>					
Cash and cash equivalents	\$6,717,411	\$6,068,050	\$5,991,513	\$3,786,590	\$4,839,264
Investments	37,396	35,903	-	36,025	34,340
Due from other governments	1,033,512	1,392,155	1,475,721	1,849,769	2,230,531
Property taxes receivable	260,528	216,367	169,102	134,095	111,556
Other receivables	767,207	805,003	365,086	476,960	358,961
Due from other funds	<u>451,629</u>	<u>937,631</u>	<u>596,636</u>	<u>1,534,290</u>	<u>981,102</u>
Total assets	\$9,267,683	\$9,455,109	\$8,598,058	\$7,817,729	\$8,555,754
<i>Liabilities and fund equity</i>					
<i>Liabilities</i>					
Accounts payable	\$1,082,297	\$ 877,127	\$ 637,180	\$ 464,140	\$1,090,973
Due to other funds	737,815	117,606	85,438	84,227	114,087
Deferred revenue	<u>1,302,237</u>	<u>1,584,793</u>	<u>1,652,754</u>	<u>1,985,371</u>	<u>2,351,226</u>
Total liabilities	3,122,349	2,579,526	2,375,372	2,533,738	3,556,286
<i>Fund equity</i>					
Unreserved:					
Designated	1,198,420	879,533	1,142,753	708,288	601,829
Undesignated	<u>4,946,914</u>	<u>5,996,050</u>	<u>5,079,933</u>	<u>4,575,703</u>	<u>4,397,639</u>
Total fund equity	6,145,334	6,875,583	6,222,686	5,283,991	4,999,468
Total liabilities and fund equity	\$9,267,683	\$9,455,109	\$8,598,058	\$7,817,729	\$8,555,754
<i>Analysis of General Fund equity</i>					
Operating revenues ¹	\$28,044,944	\$32,601,192	\$26,087,232	\$24,947,031	\$23,233,573
Fund equity as a percent of operating revenues	21.9%	21.1%	23.9%	21.2%	21.5%
Undesignated fund equity as a percent of operating revenues ..	17.6%	18.4%	19.5%	18.3%	18.9%

¹General Fund operating revenues are inclusive of the on-behalf payments made by the State of Connecticut for teacher pensions. In fiscal year 2008, the State of Connecticut issued pension obligation bonds resulting in a significant increase in the amount of on-behalf payments made for that fiscal year.

General Fund Revenues and Expenditures

	Adopted Budget <u>2010-11</u> ¹	Estimated Budget <u>2009-10</u> ¹	<u>2008-09</u> ²	<u>2007-08</u> ²	<u>2006-07</u> ²	<u>2005-06</u> ²
Revenues						
Property taxes	\$20,418,260	\$20,081,456	\$20,112,690	\$19,615,568	\$18,669,363	\$17,817,041
Intergovernmental revenues	4,666,938	4,700,030	6,772,352	11,649,505	5,754,603	5,696,833
Investment income	160,000	150,000	320,768	427,488	403,570	209,039
Licenses, fees & charges	656,518	685,073	609,783	687,755	1,000,317	803,529
Other	<u>228,063</u>	<u>414,732</u>	<u>229,351</u>	<u>220,876</u>	<u>259,379</u>	<u>420,589</u>
Total revenues	26,129,779	26,031,291	28,044,944	32,601,192	26,087,232	24,947,031
Expenditures						
Current:						
General government	2,201,248	2,109,334	2,107,432	1,966,596	1,757,375	1,703,975
Public safety	772,377	765,702	697,597	685,829	616,306	595,113
Public works	1,734,277	1,776,359	1,826,316	1,685,218	1,546,917	1,590,808
Health and social services	321,678	317,949	273,782	266,002	252,455	224,818
Recreation and leisure	291,337	306,697	313,610	313,396	308,438	297,301
Education	18,075,681	17,775,681	19,669,609	23,363,965	17,082,092	16,458,760
Other expenditures	-	926,611	-	-	-	-
Debt service	2,347,281	2,237,356	2,361,928	1,078,303	1,129,612	1,176,168
Capital outlay	<u>1,402,330</u>	<u>740,200</u>	<u>1,492,975</u>	<u>2,131,235</u>	<u>1,700,017</u>	<u>1,382,861</u>
Total expenditures.....	27,146,209	26,955,889	28,743,249	31,490,544	24,393,212	23,429,804
Excess (deficiency) of revenues over expenditures.....	(1,016,430)	(924,598) ⁴	(698,305)	1,110,648 ⁴	1,694,020	1,517,227
Other financing sources (uses):						
Proceeds from bonds	-	-	-	500,000	-	-
Transfers in	1,326,430 ³	1,591,714	1,565,055	597,901	366,231	577,313
Transfers out	<u>(310,000)</u>	<u>(1,375,000)</u>	<u>(1,596,999)</u>	<u>(1,555,652)</u>	<u>(1,121,556)</u>	<u>(1,810,017)</u>
Total other financing sources (uses)	1,016,430	216,714	(31,944)	(457,751)	(755,325)	(1,232,704)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(707,884)	(730,249)	652,897	938,695	284,523
Fund balance, July 1		<u>6,145,334</u>	<u>6,875,583</u>	<u>6,222,686</u>	<u>5,283,991</u>	<u>4,999,468</u>
Fund balance, June 30		\$5,437,450	\$6,145,334	\$6,875,583	\$6,222,686	\$5,283,991

¹ Budgetary basis.

² GAAP basis.

³ Represents \$1 million transfer from Reserve for Capital Projects for funding of the capital improvement plan.

⁴ In the 2008 fiscal year, \$721,783 was paid from the 4-8 Middle School Project Fund in respect of interest costs associated with debt issued for the project rather than from the General Fund where it was budgeted. This resulted in an excess of \$1,110,649 revenues over expenditures in fiscal year 2008. At a Special Town Meeting on June 30, 2010, the Town appropriated sufficient monies from the General Fund to reimburse the project fund for such interest costs.

Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The annual audits are conducted in compliance with Public Act 77-611 and contain the financial statements of the Town and the auditor's opinion thereon, in addition to specific comments and recommendations.

The auditor has not been asked nor has it given its consent to the inclusion of the financial statements in this Official Statement.

Summary of Accounting Principles

The Town's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The Town's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The accounting policies of the Town conform to generally accepted accounting principles as applied to governmental units. See Appendix A – "Auditor's Section, Notes to Financial Statements" herein.

Pension Plans

The Town has a defined contribution individual savings account plan covering all full-time Town employees and non-certified school employees who work over 500 hours annually, except for those employees who are covered under the State of Connecticut Municipal Employees Retirement Fund. During the fiscal year ended June 30, 2009 employees contributed \$147,420 and employer contributions were \$95,405 to the plan. These amounts represented 5.81% and 3.76%, respectively, of covered payroll of \$2,537,540.

Town employees in the General Teamsters Union and Board of Education members of the State of Connecticut union participate in the Municipal Employees' Retirement Fund ("MERF"), a cost-sharing, multiple-employer public retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. MERF 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 pension trust funds. The Town's contribution to MERF for the year ended June 30, 2009 was equal to the required contribution of \$47,025.

Certified teachers are covered by the State Teachers' Retirement Fund, to which they are required to contribute 7.25% of their salary. Neither the Town nor the Board of Education are required to make any contribution to this fund.

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

Other Post-Employment Benefits

The Town provides medical benefits to certain retirees and their spouses. The Post-Retirement Medical Program covers Town and Board of Education employees, and retired program members and beneficiaries are required to contribute active employee premiums. The funding and payment of post-employment benefits are accounted for in the General Fund on a pay-as-you-go basis. As of June 30, 2009, the actuarial accrued liability for benefits was \$850,711. The annual OPEB cost was \$72,094, and the actual contribution made was \$46,743.

Compensated Absences

Employees are paid in accordance with a prescribed formula for absence due to vacation or sickness. Accumulated vacation and sick pay earned and not paid as of June 30, 2009 is reflected in the government-wide statement of net assets in the amount of \$973,387 for Town and Board of Education employees. It is not anticipated that current resources will be used to finance these termination benefits.

Budget Adoption Procedure

The Board of Finance distributes forms to Town officials who compile annual budget requests and return them to the Board of Finance. The Board of Finance reviews all general government budgets with the Board of Selectmen.

The Board of Education prepares its budget document and submits it to the Board of Finance. After reviewing requested expenditures and estimating revenues, the Board of Finance prepares a budget for a public hearing. Following the hearing, the Board meets in public session to prepare a recommended budget for Town Meeting approval. When the budget is approved, the Board of Finance sets the tax rate.

The Connecticut General Statutes provide the manner to be utilized by the Town Meeting in acting upon the budget, as well as the procedures to be utilized for additional appropriations during the year. Funds for any additional appropriations or any emergency appropriations are drawn as directed by the Board of Finance from

any available fund balance, an approved contingency fund, or funds received or to be received from State, Federal or other sources.

The General Fund budget is prepared on a modified accrual basis of accounting, except for encumbrances, payroll expenditures and State of Connecticut on-behalf payments for teachers' pensions. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and accordingly encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. The budget for payroll expenditures is prepared on a cash basis.

Assessment Practices

Under Section 12-62 of the Connecticut General Statutes, as amended, the Town must update all real estate values every five years and conduct a physical inspection of all real properties every ten years. The Town completed its last general revaluation for the October 1, 2007 grand list. A statistical revaluation will be required for the assessment year commencing October 1, 2012.

The Assessor's Office is responsible for locating and appraising all real and personal property within the Town for inclusion onto the grand list. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for both motor vehicles and personal property are computed at 70% of the current fair market value. Each year the Town's Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and the structure is given a new fair market value determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted by the Assessor's office periodically.

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

The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor's Office is also responsible for the administration of several property exemption and payment-in-lieu-of-taxes programs which include, but are not limited to, the following: special veterans programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing exemptions; and State-owned property reimbursement programs. Estimated, unaudited revenues generated from these programs in fiscal year 2009-10 totaled \$66,310.

Tax Levy and Collection

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

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

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

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

Investment Practices

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in obligations of the United States and its agencies, highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated investment companies (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 Connecticut General Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut STIF and the Tax Exempt Proceeds Fund. Other provisions of the Connecticut General Statutes cover specific municipal funds with particular investment authority. The provisions of the Connecticut General Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, the laws applicable to fiduciaries and the provisions of the applicable plan generally control investment of such funds.

Risk Management

The Town is exposed to various risks of loss related to public officials liability; Board of Education liability; torts; thefts of, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage from coverage in the prior year. The amount of claim settlements has not exceeded insurance coverage for any of the past three years.

The Board of Education has a self-insurance plan for dental expenses. Estimated amounts to pay claims are paid into an Internal Service Fund and are available to pay claims and to establish claim reserves of the program. During fiscal year 2009, expenses of \$58,827 were paid for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,544 have been accrued as a liability based upon an estimated of historical claim activity by the Plan administrator.

SECTION VI - ADDITIONAL INFORMATION

Continuing Disclosure

The Town will enter into Continuing Disclosure Agreements with respect to the Bonds and Notes. See Appendices D and E to this Official Statement. The winning bidders' obligation to purchase the Bonds and Notes shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and Notes, an executed copy of the respective Continuing Disclosure Agreement.

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

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and for the benefit of holders of its bonds and notes to provide event notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements, except for a failure to make a timely submission to the nationally recognized municipal securities information repositories (the "NRMSIRs") by February 28, 2002, 2003, 2004, 2005 and 2006 of certain annual financial information and operating data for fiscal years ending June 30, 2001, 2002, 2003, 2004 and 2005, respectively, as required under the Town's Continuing Disclosure Agreements dated August 15, 1998 and March 1, 2003, and a failure to make a timely filing with respect to such late filings of annual financial information and operating data. The annual financial information and operating data was submitted to the NRMSIRs on February 26, 2007 and a notice with respect to such failures to file was filed with the NRMSIRs on February 2, 2007. The Town has entered into an agreement with Digital Assurance Certification LLC to assist it in connection with future continuing disclosure obligations.

Litigation

Following consultation with the Town Attorney and other attorneys providing legal services to the Town, Town officials advise that the Town of East Haddam, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Documents to Be Furnished at Closing

The original purchasers will be furnished, subject to delivery of reoffering yield information as requested in the Notices of Sale, the following documents when the Bonds and Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the First Selectman, the Treasurer and Finance Administrator, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds and Notes were accepted and at the time of the delivery of the Bonds and Notes, the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and Notes.

4. The approving opinions of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford and New Haven, Connecticut, substantially in the form attached hereto as Appendices B and C.
5. Executed Continuing Disclosure Agreements substantially in the form attached hereto as Appendices D and E.
6. Within seven business days after the award, the Town will furnish the original purchaser of the Bonds 50 copies and each original purchaser of the Notes 10 copies of the Official Statement as prepared by the Town. Additional copies may be obtained by the original purchasers of the Bonds and Notes at their own expense by arrangement with the printer. If the Town's financial advisor is provided with the information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

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

Concluding Statement

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

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

TOWN OF EAST HADDAM, CONNECTICUT

By _____
Mark B. Walter, First Selectman

By _____
Kathleen A. Klinck, Treasurer

By _____
Cynthia Varricchio, Finance Administrator

Dated as of July 15, 2010

APPENDIX A - AUDITOR'S SECTION

The following includes the audited financial statements of the Town of East Haddam, Connecticut for the fiscal year ended June 30, 2009. The supplemental data and management letter which were a part of that report have not been reproduced herein. A copy of the complete report is available upon request from Christine R. Caruolo, Assistant Vice President, Webster Bank, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103.



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of East Haddam
East Haddam, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of East Haddam, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Haddam, Connecticut, as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2009 on our consideration of the Town of East Haddam, 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

Blum, Shapiro & Company, P.C.

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and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 40 through 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town East Haddam, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blum, Shapiro & Company, P.C.

October 31, 2009

TOWN OF EAST HADDAM, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

This discussion and analysis of the Town of East Haddam, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- Net assets of our governmental activities decreased by \$2 million, or 3.16%, the decrease is substantially attributed to significant decreases in investment fund balances. It should be noted that the A.E. Purple Fund and William Palmer Fund reflect a combined loss of \$1.7 million as a result of market changes.
- During the year, the Town had expenses that were \$2 million more than the \$29 million generated in tax and other revenues for governmental programs.
- Total cost of all of the Town's programs was \$31 million.
- The General Fund reported a fund balance this year of \$6.1 million, which represents 20.3% of general fund expenditures and transfers out.
- The resources available for appropriation were \$232 thousand less than budgeted for the General Fund. The Town experienced lower than anticipated local revenue, especially in the areas of Tax Collection, Conveyance Taxes and Town Clerk Fees. Expenditures were kept within spending limits.
- The Town's outstanding debt decreased by \$1.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. 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 Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. 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 Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its

financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, public safety, public works, health and welfare, recreation and leisure and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. The Town establishes many funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State Department of Education). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town'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 Town'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 Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included in the fund financial statements.
- *Proprietary Funds (Exhibits V, VI, and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, 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 assets and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Board of Education Insurance Internal Service Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net assets from a year ago decreased from \$65,990,909 to \$63,903,984. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

TABLE 1
NET ASSETS

	Governmental Activities	
	2009	2008
Current and other assets	\$ 21,196,130	\$ 28,184,684
Capital assets	68,864,785	66,621,809
Total assets	<u>90,060,915</u>	<u>94,806,493</u>
Long-term debt outstanding	20,027,826	21,411,255
Other liabilities	6,129,105	7,404,329
Total liabilities	<u>26,156,931</u>	<u>28,815,584</u>
Net assets:		
Invested in capital assets, net of debt	47,581,880	43,830,231
Restricted	440,990	440,990
Unrestricted	<u>15,881,114</u>	<u>21,719,688</u>
Total Net Assets	<u>\$ 63,903,984</u>	<u>\$ 65,990,909</u>

- Net assets of the Town's governmental activities decreased by 3.16%. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$21,719,688 at June 30, 2009 to \$15,881,114 at the end of this year. The decrease is substantially attributed to significant decreases in investment balances. It should be noted that the A.E. Purple Fund and William Palmer Fund reflected a combined loss of \$1.7 million as a result of market changes. The component "invested in capital assets net of debt" increased by \$3,751,649. A significant amount of this increase was due to the ongoing construction of the new 4-8 Middle School.

TABLE 2
CHANGE IN NET ASSETS

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 1,129,972	\$ 1,131,595
Operating grants and contributions	7,187,395	11,793,791
Capital grants and contributions	1,198,458	11,983,509
General revenues:		
Property taxes	20,189,531	19,667,047
Grants and contributions not restricted to specific purposes	134,141	165,488
Unrestricted investment earnings	(935,794)	390,568
Other general revenues	151,719	128,716
Total revenues	<u>29,055,422</u>	<u>45,260,714</u>
Program expenses:		
General government	2,267,709	2,331,654
Public safety	830,983	811,355
Public works	2,714,822	2,782,116
Health and welfare	309,187	314,870
Recreation and leisure	473,319	395,321
Education	23,696,359	24,959,935
Interest on long-term debt	849,968	980,984
Total program expenses	<u>31,142,347</u>	<u>32,576,235</u>
Increase in Net Assets	<u>\$ (2,086,925)</u>	<u>\$ 12,684,479</u>

The Town's total revenues were \$29,055,422. The total cost of all programs and services was \$31,142,347. Our analysis below considers the operations of governmental activities.

Governmental Activities

Approximately 69.49% of the revenues were derived from property taxes, followed by 24.74% from operating grants and contributions, then 4.12% from capital grants and contributions. Major revenue factors included:

- Property tax revenues recorded for fiscal year 2009 reflect an increase in the original tax levy of 3.23% over the previous year. It should be noted that fiscal year 2008 was a revaluation year. The mill rate for fiscal year 2008 was 27.78. The mill rate for fiscal year 2009 was 20.55.
- The Town's capital grants and contributions decreased from \$11,983,509 to \$1,198,458, mostly due to the completion of the construction of the new 4-8 Middle School.
- The Town's operating grants and contributions decreased \$4.6 million as a result of a decrease in the State of Connecticut contribution on behalf of the State Teachers' Retirement Fund.

For Governmental Activities, 76.09% of the Town's expenditures relate to education, 8.72% relate to public works and 7.28% to general government.

Reductions in expenditures reflect the Town's caution and prudence during difficult economic times. It should be noted that Board of Education expenditures were under budget by \$83,413. State of Connecticut funding to the Board of Education for Educational Cost Sharing was reduced by \$71,729. The Town has provided for carryforward appropriations in the amount of \$939,727.

Governmental Activities

Table 3 presents the cost of each of the Town's largest programs - general government, public safety, public works, health and welfare, recreation and leisure and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General government	\$ 2,267,709	\$ 2,331,654	\$ 1,889,088	\$ 1,453,025
Public safety	830,983	811,355	808,673	791,647
Public works	2,714,822	2,782,116	1,892,094	2,291,939
Health and welfare	309,187	314,870	106,297	258,675
Recreation and leisure	473,319	395,321	294,411	343,411
Education	23,696,359	24,959,935	15,838,414	1,613,383
Other	849,968	980,984	797,545	915,260
Totals	<u>\$ 31,142,347</u>	<u>\$ 32,576,235</u>	<u>\$ 21,626,522</u>	<u>\$ 7,667,340</u>

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$13,919,912, which is a decrease from last year's total of \$19,372,263. Included in this year's total change in fund balance is a decrease of \$730,249 in the Town's General Fund. The primary reason for the General Fund's decrease was the reliance on fund balance in the amount of \$577,000 in the 2008-2009 fiscal year budget, as well a special appropriation in the amount of \$313,000 for the Powerhouse Road project and a special appropriation of \$205,500 to the Middle School Conversion Committee to implement a three-phased process for the design and construction of municipal offices in the former Nathan Hale Ray Middle School as follows: Phase I - Conceptual Study/Design, Schematic Design/Development, Cost Estimate - \$64,000, Phase II - Design Development, Construction Documentation, Bidding Services - \$99,500 and Phase III - Project Administration - \$42,000.

Significant fund balance changes should be noted as follows: the A.E. Purple Fund reflects a decrease of \$1,633,804 as a result of market changes, and the 4-8 Middle School Construction Fund went from an equity balance of \$650,312 to a deficit balance of \$2,699,048 until permanent financing for the project is obtained.

General Fund Budgetary Highlights

During the 2008-2009 fiscal year, the Town was able to earn more than twice the interest income budgeted due to the prudent investment management of the Town Treasurer.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Town had \$68.8 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and roads (see Table 4). The increase (including additions and deductions) of \$2.2 million is 3.37% over last year.

TABLE 4
CAPITAL ASSETS, Net of Depreciation
(In Thousands)

	Governmental Activities	
	2009	2008
Land	\$ 3,256	\$ 3,005
Building and improvements	50,855	20,716
Furniture and equipment	3,079	2,343
Infrastructure	11,622	10,602
Construction in progress	53	29,956
Totals	<u>\$ 68,865</u>	<u>\$ 66,622</u>

This year's major additions included (not rounded):

4-8 Middle School project completion	\$ 1,328,807
4-8 Middle School Furniture and equipment	916,131
Powerhouse Road project	855,865
Installation of ventilation systems at the Elementary School	156,950

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

TABLE 5
OUTSTANDING DEBT, AT YEAR END

	Governmental Activities	
	2009	2008
General obligation bonds	\$ 18,344,869	\$ 19,771,374
Notes payable	<u>575,239</u>	<u>657,417</u>
Total	<u>\$ 18,920,108</u>	<u>\$ 20,428,791</u>

At June 30, 2009, the Town had \$18,920,108 in bonds and notes outstanding versus \$20,428,791 last year.

The State limits the amount of general obligation debt that towns can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$141.0 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2009 budget tax rates. The ongoing long-range capital improvement and debt service plan is a major factor in determining the amount the Town needs to set aside for future spending needs. The officials, in planning for the 2009-10 budget, held reserves, with no increase or decrease to current levels. The officials took into account future municipal needs when determining the level of spending it could support.

These indicators were also taken into account when adopting the General Fund budget for 2009-10. In addition when planning for the 2009-10 budget the Town anticipated lower state, federal and local revenue and as a result reduced the amount of spending budgeted from the prior fiscal year. Amounts available for appropriation in the General Fund budget are \$27,474,063, a decrease of 6.93% over the final 2009 budget of \$28,139,913. Property taxes reflect a budgeted decrease of \$123,274 for a final budget of \$19,983,456. The Town realized no mill rate increase for the 2009-10 fiscal year as a result of planning for reduced expenditures and revenues; the mill rate remained unchanged at 20.55.

It should be noted that the 2009-10 budget provides for no wage increases for General Government employees, both nonunionized and those represented by collective bargaining.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, 7 Main Street, East Haddam, Connecticut 06423.

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 13,218,390
Investments	5,893,004
Receivables, net	2,083,313
Inventory	1,423
Capital assets not being depreciated	3,308,675
Capital assets being depreciated, net	65,556,110
Total assets	<u>90,060,915</u>
Liabilities:	
Accounts and other payables	1,415,025
Unearned revenue	80,962
Bond anticipation notes	4,540,000
Deferred credits	93,118
Noncurrent liabilities:	
Due within one year	1,929,515
Due in more than one year	18,098,311
Total liabilities	<u>26,156,931</u>
Net Assets:	
Invested in capital assets, net of related debt	47,581,880
Restricted for:	
Nonexpendable	440,990
Unrestricted	15,881,114
Total Net Assets	<u>\$ 63,903,984</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,267,709	\$ 371,621	\$ 7,000	\$	\$ (1,889,088)
Public safety	830,983	22,310			(808,673)
Public works	2,714,822	209,041	257,760	355,927	(1,892,094)
Health and welfare	309,187		53,344	149,546	(106,297)
Recreation and leisure	473,319	178,908			(294,411)
Education	23,696,359	348,092	6,816,868	692,985	(15,838,414)
Interest on long-term debt	849,968		52,423		(797,545)
Total	<u>\$ 31,142,347</u>	<u>\$ 1,129,972</u>	<u>\$ 7,187,395</u>	<u>\$ 1,198,458</u>	<u>(21,626,522)</u>
General revenues:					
Property taxes					20,189,531
Grants and contributions not restricted to specific programs					134,141
Unrestricted net investment losses					(935,794)
Other					151,719
Total general revenues					<u>19,539,597</u>
Change in net assets					(2,086,925)
Net Assets at Beginning of Year					<u>65,990,909</u>
Net Assets at End of Year					<u>\$ 63,903,984</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General</u>	<u>Reserve for Capital Projects</u>	<u>Middle School</u>	<u>A.E. Purple Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 6,717,411	\$ 3,434,285	\$ 2,045,660	\$ 71,070	\$ 909,082	\$ 13,177,508
Investments	37,396			4,986,301	869,307	5,893,004
Receivables, net	2,061,247				22,066	2,083,313
Due from other funds	451,629	514,580		10,303	212,932	1,189,444
Inventories					1,423	1,423
Total Assets	<u>\$ 9,267,683</u>	<u>\$ 3,948,865</u>	<u>\$ 2,045,660</u>	<u>\$ 5,067,674</u>	<u>\$ 2,014,810</u>	<u>\$ 22,344,692</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 1,082,297	\$	\$ 80,000	\$	\$ 152,897	\$ 1,315,194
Due to other funds	737,815		124,708		326,921	1,189,444
Deferred revenue	1,302,237				77,905	1,380,142
Bond anticipation notes payable			4,540,000			4,540,000
Total liabilities	<u>3,122,349</u>	<u>-</u>	<u>4,744,708</u>	<u>-</u>	<u>557,723</u>	<u>8,424,780</u>
Fund balances:						
Reserved				400,000	95,432	495,432
Unreserved, reported in:						
General Fund	6,145,334					6,145,334
Special Revenue Funds					1,255,954	1,255,954
Capital Project Funds		3,948,865	(2,699,048)		(36,015)	1,213,802
Permanent Funds				4,667,674	141,716	4,809,390
Total fund balances	<u>6,145,334</u>	<u>3,948,865</u>	<u>(2,699,048)</u>	<u>5,067,674</u>	<u>1,457,087</u>	<u>13,919,912</u>
Total Liabilities and Fund Balances	<u>\$ 9,267,683</u>	<u>\$ 3,948,865</u>	<u>\$ 2,045,660</u>	<u>\$ 5,067,674</u>	<u>\$ 2,014,810</u>	<u>\$ 22,344,692</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

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

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$ 13,919,912
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 87,269,644	
Less accumulated depreciation	(18,404,859)	
Net capital assets		68,864,785

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

Property tax receivables greater than 60 days	206,006
Interest receivable on property taxes	46,662
Loan receivables	13,000
Receivable from the state for school construction projects	1,033,512

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.

30,338

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

Bonds and notes payable	(18,940,239)
Interest payable on bonds and notes	(89,287)
Compensated absences	(973,387)
Bond premium	(93,118)
Deferred charges on refunding	20,131
Termination benefits	(108,980)
Net OPEB obligation	(25,351)

Net Assets of Governmental Activities (Exhibit I)	\$ <u>63,903,984</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2009

	General	Reserve for Capital Projects	Middle School	A.E. Purple Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 20,112,690	\$	\$	\$	\$	\$ 20,112,690
Intergovernmental	6,772,352		488,254		861,598	8,122,204
Charges for services	609,783				585,949	1,195,732
Income on investments	320,768	96,664	9,896		3,921	431,249
Decrease in fair value of investments				(1,304,685)	(62,420)	(1,367,105)
Miscellaneous	229,351		204,730		378,812	812,893
Total revenues	<u>28,044,944</u>	<u>96,664</u>	<u>702,880</u>	<u>(1,304,685)</u>	<u>1,767,860</u>	<u>29,307,663</u>
Expenditures:						
Current:						
General government	2,107,432				13,513	2,120,945
Public safety	697,597					697,597
Public works	1,826,316				167,147	1,993,463
Health and welfare	273,782				13,107	286,889
Recreation and leisure	313,610				113,361	426,971
Education	19,669,609			28,411	1,191,001	20,889,021
Debt service	2,361,928					2,361,928
Capital outlay	1,492,975		4,076,838		437,985	6,007,798
Total expenditures	<u>28,743,249</u>	<u>-</u>	<u>4,076,838</u>	<u>28,411</u>	<u>1,936,114</u>	<u>34,784,612</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(698,305)</u>	<u>96,664</u>	<u>(3,373,958)</u>	<u>(1,333,096)</u>	<u>(168,254)</u>	<u>(5,476,949)</u>
Other Financing Sources (Uses):						
Premium on BAN			24,598			24,598
Transfers in	1,565,055	1,250,000			355,794	3,170,849
Transfers out	<u>(1,596,999)</u>	<u>(1,226,347)</u>		<u>(300,708)</u>	<u>(46,795)</u>	<u>(3,170,849)</u>
Total other financing sources (uses)	<u>(31,944)</u>	<u>23,653</u>	<u>24,598</u>	<u>(300,708)</u>	<u>308,999</u>	<u>24,598</u>
Net Change in Fund Balances	<u>(730,249)</u>	<u>120,317</u>	<u>(3,349,360)</u>	<u>(1,633,804)</u>	<u>140,745</u>	<u>(5,452,351)</u>
Fund Balances at Beginning of Year	<u>6,875,583</u>	<u>3,828,548</u>	<u>650,312</u>	<u>6,701,478</u>	<u>1,316,342</u>	<u>19,372,263</u>
Fund Balances at End of Year	<u>\$ 6,145,334</u>	<u>\$ 3,948,865</u>	<u>\$ (2,699,048)</u>	<u>\$ 5,067,674</u>	<u>\$ 1,457,087</u>	<u>\$ 13,919,912</u>

(Continued on next page)

TOWN OF EAST HADDAM, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2009

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (5,452,351)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	4,005,792
Depreciation expense	(1,730,983)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold. (31,833)

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

School building grant receipts	(358,643)
Property tax receivable - accrual basis change	65,380
Property tax interest and lien revenue - accrual basis change	11,461

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

Bonds and notes principal payments	1,517,178
Bond premiums	4,901

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 the governmental funds.

Compensated absences	(159,270)
Accrued interest	3,277
Amortization of deferred charge on refunding	(8,495)
Termination payments	59,367
Net OPEB expense	(25,351)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

12,645

Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u><u>(2,086,925)</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2009

	<u>Governmental Activities Internal Service Funds</u>
Assets:	
Cash and cash equivalents	\$ 40,882
Liabilities:	
Accounts and other payables	<u>10,544</u>
Net Assets:	
Unrestricted	\$ <u><u>30,338</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employer contribution	\$ 33,494
Employee contributions	44,733
Total operating revenues	<u>78,227</u>
Operating Expenses:	
Administrative expense	6,817
Employee benefits	58,827
Total operating expenses	<u>65,644</u>
Operating Income	12,583
Nonoperating Revenue:	
Income on investments	<u>62</u>
Change in Net Assets	12,645
Net Assets at Beginning of Year	<u>17,693</u>
Net Assets at End of Year	<u>\$ 30,338</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash received from employees and employer	\$ 78,227
Cash payments to providers of benefits and administration	(65,350)
Net cash provided by operating activities	<u>12,877</u>
Cash Flows from Investing Activities:	
Income on investments	<u>62</u>
Net Increase in Cash and Cash Equivalents	12,939
Cash and Cash Equivalents at Beginning of Year	<u>27,943</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 40,882</u></u>
Reconciliation of Operating Income to Net	
Cash Provided by Operating Activities:	
Operating income	\$ 12,583
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Increase in accounts payable	<u>294</u>
Net Cash Provided by Operating Activities	<u><u>\$ 12,877</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2009

	Pension Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$	\$ 255,749
Investments	<u>1,306,365</u>	<u></u>
Total assets	1,306,365	\$ <u><u>255,749</u></u>
Liabilities:		
Accounts and other payables	<u></u>	\$ <u><u>255,749</u></u>
Net Assets:		
Held in Trust for Pension Benefits	<u><u>\$ 1,306,365</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 103,354
Plan members	152,273
Total contributions	<u>255,627</u>
Investment income (loss):	
Net decrease in fair value of investments	(52,166)
Interest and dividends	35,560
Net investment loss	<u>(16,606)</u>
Total additions	239,021
Deductions:	
Benefits	<u>22,933</u>
Net Increase	216,088
Net Assets at Beginning of Year	<u>1,090,277</u>
Net Assets at End of Year	<u>\$ 1,306,365</u>

The accompanying notes are an integral part of the financial statements

TOWN OF EAST HADDAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town operates under the provisions of the Connecticut General Statutes. The form of government includes a Board of Selectmen consisting of a First Selectman, who is the chief administrative and executive official of the Town, and two other members. The Board of Selectmen and the Town Meeting have the legislative power of the Town and may enact ordinances consistent with the General Statutes. A nine-member Board of Education is responsible for the operation of the public school system.

A six-member Board of Finance is responsible for presenting fiscal operating budgets for Town Meeting approval. The Treasurer receives all money belonging to the Town and makes expenditures based upon the appropriate authority.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

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 properly included among program revenues are reported instead as general revenues.

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

The various funds included in the financial statements are described below:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed.

General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

Special Revenue Funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The Town has one proprietary fund:

Internal Service Fund accounts for the self-insurance activity related to the Board of Education dental plan.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund accounts for the East Haddam Retirement System.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Board of Education Student Activity Fund and Driveway Bonds Fund are the Town's agency funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The Town reports the following major governmental funds:

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

The Reserve for Capital Projects Fund is used to set aside funds for future capital purchases.

The Middle School Fund is used to account for the construction of a middle school.

The A. E. Purple Fund is used to account for funds donated to the Town by A. E. Purple to be used for educational purposes.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self-insured dental plan for Board of Education employees.

The Pension Trust Fund accounts for the activities of the East Haddam Retirement System, which accumulates resources for pension benefit payments to qualified Town employees and certain Board of Education employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

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

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

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed as of October 1 and billed the following July. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are filed on delinquent taxes by June 30 each year. Interest is charged on delinquent taxes at the rate of 1.5% per month (18% per year). An amount of \$14,094 has been established as an allowance for uncollectible taxes. At June 30, 2009, this represents 5.1% of all property taxes receivable.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Furniture and equipment	5-20
Public domain infrastructure	20-50

H. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned as of June 30, 2009 is reflected in the government-wide statement of net assets.

I. Long-Term Obligations

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

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Termination Benefits

Sick Leave Benefits

Upon the death or retirement from the teaching profession, a teacher who has been in the East Haddam School System for 20 or more years of active service shall be paid the equivalent of one-half of his or her accumulated sick leave. The teacher will be paid at the beginning of the next fiscal year. The maximum benefit available cannot exceed 40% of the salary schedule pay for the highest step of the MA column. Payment will be paid over two fiscal years. At year end, accumulated vacation and unused sick leave was valued at \$973,387. The General Fund generally funds the cost associated with compensated absences.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund budget is prepared in accordance with the Connecticut General Statutes.

The Board of Finance distributes forms to Town Officials who compile annual budget requests and return them to the Board of Finance. The Board of Finance reviews all general government Selectmen budgets with the Board of Selectmen.

The Board of Education prepares its budget document and submits it to the Board of Finance. After reviewing requested expenditures and estimating revenues, the Board of Finance prepares a budget for public hearing. The legal budget is at the departmental level. Following the hearing, the Board meets in public session to prepare a recommended budget for the Town Meeting. When the budget is approved, the Board of Finance sets the tax rate.

The General Statutes provide the manner that is to be utilized by the Town Meeting in acting upon the budget, as well as the procedures to be utilized for additional appropriations during the year.

Funds for any additional appropriations or any emergency appropriations are drawn as directed by the Board of Finance from any available fund balance, an approved contingency fund or funds received or to be received from state, federal or other sources.

There were \$2,372,604 in supplemental appropriations during the year, and carryover appropriations to fiscal year 2010 are \$939,727.

The General Fund budget is prepared on a modified accrual basis of accounting except for three items as follows:

1. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year.
2. The budget for payroll expenditures is prepared on a cash basis. Accrued payroll has been recorded as expenditures (Exhibit IV) in accordance with GAAP.
3. The Town does not budget for revenue or expenditures for pension contributions made by the State of Connecticut for East Haddam teachers. The amount of this contribution was \$1,309,821.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$12,786,093 of the Town’s bank balance of \$13,831,990 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 11,449,020
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,337,073</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 12,786,093</u>

Cash Equivalents

At June 30, 2009, the Town's cash equivalents amounted to \$55,641. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard and Poor's
State Short-Term Investment Fund (STIF)	AAAm

Investments

As of June 30, 2009, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 – 10	More Than 10
Interest-bearing investments:					
Certificates of deposit	*	\$ 98,129	\$ 98,129	\$	
Corporate bonds	AAA- BBB	201,201	8,198	193,003	
U.S. government obligations	N/A	177,385		177,385	
Total		476,715	\$ 106,327	\$ 370,388	\$ -
Other investments:					
Common stock		3,524,958			
Pension investments held by insurance company		1,306,365			
Mutual funds		1,891,331			
Total Investments		\$ 7,199,369			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A - Not applicable

Interest Rate Risk - The Town limits Palmer Fund investment maturities for a single security at 30 years and a weighted average portfolio at 15 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Town limits investments with respect to the Palmer Fund and Purple Fund in any one issuer that is in excess of 5% and 10%, respectively, of the Town's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2009, the Town had \$3,524,958 uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

4. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:			
Interest	\$ 46,662	\$	\$ 46,662
Taxes	274,622		274,622
Accounts	372,318	356	372,674
Intergovernmental	1,381,739	21,710	1,403,449
Gross receivables	<u>2,075,341</u>	<u>22,066</u>	<u>2,097,407</u>
Less allowance for uncollectibles	<u>(14,094)</u>		<u>(14,094)</u>
Net Total Receivables	<u>\$ 2,061,247</u>	<u>\$ 22,066</u>	<u>\$ 2,083,313</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable	\$ 206,006	\$	\$ 206,006
Accrued interest on delinquent property tax	46,662		46,662
Other revenue unearned		26,210	26,210
Grant drawdowns prior to meeting all eligibility requirements		54,752	54,752
School building grants	1,033,512		1,033,512
Loans receivable	<u>13,000</u>		<u>13,000</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 1,299,180</u>	<u>\$ 80,962</u>	<u>\$ 1,380,142</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,004,703	\$ 251,167	\$	\$ 3,255,870
Construction in progress	29,955,508		(29,902,703)	52,805
Total capital assets not being depreciated	<u>32,960,211</u>	<u>251,167</u>	<u>(29,902,703)</u>	<u>3,308,675</u>
Capital assets being depreciated:				
Buildings and improvements	30,185,429	31,231,510		61,416,939
Furniture and equipment	5,168,122	1,082,645		6,250,767
Infrastructure	14,981,923	1,343,173	(31,833)	16,293,263
Total capital assets being depreciated	<u>50,335,474</u>	<u>33,657,328</u>	<u>(31,833)</u>	<u>83,960,969</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,469,465)	(1,092,450)		(10,561,915)
Furniture and equipment	(2,824,911)	(346,431)		(3,171,342)
Infrastructure	(4,379,500)	(292,102)		(4,671,602)
Total accumulated depreciation	<u>(16,673,876)</u>	<u>(1,730,983)</u>	<u>-</u>	<u>(18,404,859)</u>
Total capital assets being depreciated, net	<u>33,661,598</u>	<u>31,926,345</u>	<u>(31,833)</u>	<u>65,556,110</u>
Governmental Activities Capital Assets, Net	<u>\$ 66,621,809</u>	<u>\$ 32,177,512</u>	<u>\$ (29,934,536)</u>	<u>\$ 68,864,785</u>

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

Governmental activities:	
General government	\$ 121,731
Public safety	109,215
Public works	429,540
Health and welfare	20,500
Recreation and leisure	4,150
Education	<u>1,045,847</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,730,983</u>

Construction Commitments

The status of appropriations for the various capital projects as of June 30, 2009 is presented below:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Balance</u>
Middle School Project	\$ 34,448,072	\$ 34,418,331	\$	\$ 29,741

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through the General Fund on behalf of other funds. A summary of General Fund interfund balances as of June 30, 2009 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
A. E. Purple Fund	General Fund	\$ 10,303
Nonmajor governmental funds	General Fund	212,932
Reserve for Capital Projects Fund	General Fund	514,580
General Fund	Middle School	124,708
General Fund	Nonmajor governmental funds	<u>326,921</u>
Total		\$ <u>1,189,444</u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

Interfund transfers:

<u>Transfers In</u>				
	<u>General Fund</u>	<u>Reserve for Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 1,250,000	\$ 346,999	\$ 1,596,999
Reserve for Capital Projects	1,226,347			1,226,347
A. E. Purple Fund	300,708			300,708
Nonmajor governmental funds	<u>38,000</u>		<u>8,795</u>	<u>46,795</u>
Total	\$ <u>1,565,055</u>	\$ <u>1,250,000</u>	\$ <u>355,794</u>	\$ <u>3,170,849</u>

All transfers represent routine recurring transactions to move resources from one fund to another.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 19,800,000	\$	\$ 1,435,000	\$ 18,365,000	\$ 1,425,000
Clean Water notes	657,417		82,178	575,239	82,177
Less deferred amounts:					
Refunding bonds	<u>(28,626)</u>	<u></u>	<u>(8,495)</u>	<u>(20,131)</u>	<u></u>
Total bonds payable	20,428,791	-	1,508,683	18,920,108	1,507,177
OPEB liability		25,351		25,351	
Compensated absences	814,117	159,270		973,387	339,519
Termination benefits	<u>168,347</u>	<u>52,322</u>	<u>111,689</u>	<u>108,980</u>	<u>82,819</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 21,411,255</u>	<u>\$ 236,943</u>	<u>\$ 1,620,372</u>	<u>\$ 20,027,826</u>	<u>\$ 1,929,515</u>

A schedule of bonds and notes outstanding at June 30, 2009 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2009</u>
Bonds and notes:					
School	2008	2028	3.5-4.7	\$ 16,150,000	\$ 15,544,350
Open Space	2008	2028	3.5-4.7	500,000	480,650
School	2003	2013	2.0-3.6	2,760,000	1,015,000
Schools	1998	2012	3.9-4.6	6,105,000	1,325,000
Sewer	1997	2016	3.9-4.6	1,561,364	<u>575,239</u>
Total Outstanding					<u>\$ 18,940,239</u>

The following is a schedule of principal and interest requirements to maturity:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,507,177	\$ 737,085
2011	1,492,177	683,104
2012	1,217,177	628,619
2013	1,077,177	585,952
2014	857,177	551,114
2015-2019	4,714,354	2,232,941
2020-2024	4,575,000	1,306,499
2025-2028	<u>3,500,000</u>	<u>377,561</u>
Total	\$ <u>18,940,239</u>	\$ <u>7,102,875</u>

A summary of bonds authorized unissued is presented below:

<u>Project</u>	<u>Authorization</u>	<u>Bonds Issued</u>	<u>BANs Issued</u>	<u>Authorized Unissued</u>
Open Space	\$ 5,000,000	\$ 500,000	\$	\$ 4,500,000
Clean Water Fund	1,577,048	1,561,364		15,684
Middle School Project	<u>34,118,000</u>	<u>15,820,000</u>	<u>4,540,000</u>	<u>13,758,000*</u>
Total	\$ <u>40,695,048</u>	\$ <u>17,881,364</u>	\$ <u>4,540,000</u>	\$ <u>18,273,684</u>

*The authorized unissued amount is reduced by grants received by the State of Connecticut.

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2009:

Capital Project Funds

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>
Middle School	05-16-07	05-15-08	4.00	\$ 18,070,000	\$	\$ 18,070,000	\$ -
Gymnasium	05-16-07	05-15-08	4.00	330,000		330,000	-
Middle School	05-13-08	11-13-08	2.25	4,700,000		4,700,000	-
Middle School	11-13-08	08-12-09	1.77		<u>4,540,000</u>		<u>4,540,000</u>
Total				\$ <u>23,100,000</u>	\$ <u>4,540,000</u>	\$ <u>23,100,000</u>	\$ <u>4,540,000</u>

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

<u>Category</u>	<u>Debt Limitation*</u>	<u>Indebtedness**</u>	<u>Balance</u>
General purpose	\$ 45,304	\$ 4,981	\$ 40,323
Schools	90,608	21,391	69,217
Sewers	75,506	590	74,916
Urban renewal	65,439		65,439
Pension deficit	60,405		60,405

* In no case shall total indebtedness exceed seven times annual receipts from taxation (\$140,945).

** Indebtedness includes bonds authorized unissued of \$15 related to the Clean Water Fund, \$4,500 related to open space.

Accrued sick and vacation pay for general government operations is \$210,912, and the amount for the Board of Education is \$762,475. This is an increase of \$159,270 from the previous year. The Board of Education has liabilities of \$108,980 related to retirement incentives and sick pay buyouts at retirement.

8. 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 are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

The Board of Education has a self-insurance plan for dental expenses. Estimated amounts to pay claims are paid into an Internal Service Fund and are available to pay claims and to establish claim reserves of the program. During fiscal year 2009, expenses of \$58,827 were paid for benefits, insurance premiums and administration. Incurred but not reported health claims of \$10,544 have been accrued as a liability based upon an estimate of historical claim activity by the Plan Administrator.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The following table reflects the activity of the past two years:

	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2007-2008	\$ 10,566	\$ 64,355	\$ 64,671	\$ 10,250
2008-2009	10,250	59,121	58,827	10,544

9. COMMITMENTS

The Town is party to an intermunicipal agreement for septage waste disposal. The Town of East Hampton has agreed to accept septage from East Haddam and four other towns. East Hampton borrowed approximately \$800,000 from the State of Connecticut Clean Water Fund to finance improvements to its plant to accommodate septage from the other towns. Each town is committed to paying a portion of the cost of improvements over 20 years. Additionally, operating costs and a utilization fee will also be charged. The annual projected cost is expected to be \$19,500. The sixteenth payment of \$19,500 was made during the current fiscal year by the General Fund.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Municipal Employees' Retirement Fund (Savings Plan)

The Municipal Employees' Retirement Fund is a defined contribution individual savings account plan. The plan, effective July 1, 1986, covers all full-time Town employees and noncertified school employees who work over 500 hours annually, except for those employees who are covered under State of Connecticut Municipal Employees Retirement Fund. Contributions to the plan are made both by the Board of Education and Town (2-3% and 4.5%, respectively, of annual compensation) and the employee (minimum 2% of annual compensation to a maximum 13%). Currently, there are 75 members participating in the plan. Benefits are vested at 20% after the first two years and 20% each year thereafter, with 100% vesting after six years. Normal retirement age is 65 with provisions for early retirement. The participants are funding individual savings accounts and they have several options as to the method of receiving pension benefits (i.e., lump sum, annuity, etc). During the year, the employees contributed \$147,420 and employer contributions were \$95,405 to the plan. These amounts represent 5.81% and 3.76% of covered payroll of \$2,537,540. Total Town payroll amounted to \$12,807,854.

The plan was created by the authority of the Board of Selectmen and can be amended by that Board. This plan is reported as a Pension Trust Fund in this report. The plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. All investments are invested and administered by the Sentry Insurance Company and are reported at fair value. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

B. State of Connecticut Municipal Employees' Retirement Fund

Currently nine (9) Town of East Haddam employees in the General Teamsters Union participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling 860-702-3480.

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The current rate is 7.0% of annual covered payroll. The contribution requirements of the Town are established and may be

amended by the State Retirement Commission. The Town's contributions to MERF for the years ended June 30, 2009, 2008 and 2007 were \$47,025, \$44,679 and \$40,018, respectively, equal to the required contributions for each year.

C. Connecticut State Teachers' Retirement Board

Town of East Haddam certified teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$8,481,918 or 75.2% of the total Town and Board of Education payroll of \$11,282,915.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. The Town does not have any liability for teacher pensions. For the year ended June 30, 2009, the Town has recorded, in the General Fund, intergovernmental revenue and educational expenditures in the amount of \$1,309,821 as payments made by the State of Connecticut on behalf of the Town.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. Retired program members and beneficiaries are required to contribute active employee premiums. The percentage contribution and the eligibility of the employees and retirees for these benefits vary and are detailed within the Town's various bargaining agreements. The Town does not issue a separate stand alone financial statement for this program.

At June 30, 2009, plan membership consisted of the following:

	Post- Retirement Medical Program
Active participants	186
Inactive participants	25
Total Participants	211

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on four distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- UPSEU Board of Education employees are eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service.
- Teachers and School Administrators are eligible for retiree health care coverage for lifetime at the earlier of age 55 with 20 years of service or 25 years of service.
- Board of Education employees with individual contracts are assumed to be eligible for retiree health care coverage for lifetime upon attainment of age 55 with 20 years of service. The following employees have individual contracts: Superintendent, Business Manager, Administrative Assistant to Superintendent, MIS/Network Administrator and Tech Support.
- Town employees who retire upon Medicare eligibility are eligible to purchase Medicare Supplement coverage through the Town. No retiree health care benefits are offered to Town employees who retire prior to Medicare eligibility.
- Surviving spouses of retired teachers and nonteachers at the school are allowed to remain on the plan.
- Surviving spouses of retirees and actives eligible to retire are allowed to remain on the plan.

C. Annual OPEB Cost and Net OPEB Obligations

The Town of East Haddam's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 72,094
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>72,094</u>
Contributions made	<u>46,743</u>
Increase in net OPEB obligation	<u>25,351</u>
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 25,351</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal year ended June 30, 2009 is presented below. Data is only presented for the fiscal year ended June 30, 2009, due to this being the year of transition.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 72,094	\$ 46,743	64.84%	\$ 25,351

As of June 30, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$850,711, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$850,711. The covered payroll (annual payroll of active employees covered by the plan) was \$10,507,226.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The actuarial value of assets was determined using an open group. The UAAL is being amortized on a level percentage of pay over 30 years.

12. FUND DEFICITS

The Middle School Fund, a major capital projects fund, has a deficit fund balance of \$2,699,048 primarily due to pending state funding, which the Town cannot reasonably estimate and has, therefore, not shown as a receivable. This deficit will be funded by state funding, with any remaining balances being funded by General Fund contributions.

The Bridge Construction Fund, a nonmajor capital projects fund, has a deficit fund balance of \$198,153 primarily due to a pending disagreement between the State of Connecticut and the Town's contractor as it relates to contract compliance. This deficit will be funded by General Fund contributions and/or additional state revenues.

13. CONTINGENT LIABILITIES

The Town of East Haddam, its officials, employees, boards and commissions are defendants in several lawsuits. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town that would materially adversely affect its financial position.

14. SUBSEQUENT EVENT

On July 14, 2009, the Town settled litigation regarding the original appraisal of the land that was purchased for the construction of the new Middle School. As a result of the settlement, the Town paid an additional \$444,059 for the land as well as interest on the additional payment and other fees in the amount of \$67,403.

**APPENDIX B – FORM OF OPINION OF BOND COUNSEL
AND TAX EXEMPTION – BONDS**

Appendix B - Opinion of Bond Counsel and Tax Exemption - Bonds

August 11, 2010

Town of East Haddam
7 Main Street
East Haddam, CT 06423

RE: Town of East Haddam, Connecticut
\$3,825,000 General Obligation Bonds, Issue of 2010, Book-Entry-Only,
dated August 1, 2010

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of East Haddam, Connecticut (the "Town") of its \$3,825,000 General Obligation Bonds, Issue of 2010, dated August 1, 2010 (the "Bonds").

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

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

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

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

2. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not treated as a preference item for purposes of calculating the federal

alternative minimum tax for individuals or corporations, and is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on corporations.

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

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

3. Under existing law, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

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

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

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

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

FEDERAL INCOME TAX

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in the gross income of the owners thereof for Federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. The Tax Compliance Certificate and the Non-Arbitrage Certificate, which will be executed and delivered by the Town concurrently with the Bonds, contain certain representations, covenants and procedures relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for Federal income tax purposes.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with the covenants and the procedures contained in the Tax Compliance Certificate and the Non-Arbitrage Certificate, interest on the Bonds is not included in the gross income of the owners thereof for Federal income tax purposes.

The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The Federal alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Certificate 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 a preference item for purposes of the Federal alternative minimum tax imposed on individuals and corporations.

Interest on the Bonds is not includable in the adjusted current earnings of a corporation (as defined for Federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

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

Legislation affecting municipal bonds is regularly under 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.

STATE OF CONNECTICUT TAX ON INTEREST

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or to reflect any changes in law that may thereafter occur or become effective.

Investors should be aware that the United States Supreme Court reversed the holding of *Kentucky Department of Revenue Services v. Davis*, in which the Kentucky Court of Appeals previously ruled that taxing interest income on out-of-state bonds while exempting interest on bonds issued by the Commonwealth of Kentucky and its political subdivisions violates the Commerce Clause of the United States Constitution. The effect of the Supreme Court reversal decision is to uphold the constitutionality of Connecticut statutes exempting interest on bonds and notes issued by the State of Connecticut and its political subdivisions from State taxation while the State of Connecticut taxes the interest on out-of-state bonds and notes.

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

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding the other applicable state and local tax consequences of ownership and disposition of the Bonds, 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 the Bonds of certain maturities (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income 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 the Bonds of certain maturities (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 own tax advisors regarding the amortization of premium and the effect upon basis.

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

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

**APPENDIX C - FORM OF OPINION OF BOND COUNSEL
AND TAX EXEMPTION - NOTES**

Appendix C – Opinion of Bond Counsel and Tax Exemption - Notes

August 11, 2010

Town of East Haddam
7 Main Street
East Haddam, CT 06423

RE: Town of East Haddam, Connecticut
\$720,000 General Obligation Bond Anticipation Notes, Book-Entry-Only,
dated August 11, 2010

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of East Haddam, Connecticut (the "Town") of its \$720,000 General Obligation Bond Anticipation Notes, dated August 11, 2010 and due August 10, 2011 (the "Notes").

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

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

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

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

2. Under existing law, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of

1986, as amended (the "Code"), is not treated as a preference item for purposes of calculating the federal alternative minimum tax for individuals or corporations, and is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on corporations.

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

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

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

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

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

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

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

FEDERAL INCOME TAX

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the Notes in order that interest on the Notes not be included in the gross income of the owners thereof for Federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause the interest on the Notes to be includable in gross income for Federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. The Tax Compliance Certificate and the Non-Arbitrage Certificate, which will be executed and delivered by the Town concurrently with the Notes, contain certain representations, covenants and procedures relating to compliance with such requirements of the Code to

ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for Federal income tax purposes.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with the covenants and the procedures contained in the Tax Compliance Certificate and the Non-Arbitrage Certificate, interest on the Notes is not included in the gross income of the owners thereof for Federal income tax purposes.

The Code imposes an alternative minimum tax on individuals and an alternative minimum tax on corporations. The Federal alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Certificate 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 a preference item for purposes of the Federal alternative minimum tax imposed on individuals and corporations.

Interest on the Notes is not includable in the adjusted current earnings of a corporation (as defined for Federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

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

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 Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

STATE OF CONNECTICUT TAX ON INTEREST

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

Investors should be aware that the United States Supreme Court reversed the holding of *Kentucky Department of Revenue Services v. Davis*, in which the Kentucky Court of Appeals previously ruled that taxing interest income on out-of-state bonds while exempting interest on bonds issued by the Commonwealth of Kentucky and its political subdivisions violates the Commerce Clause of the United States Constitution. The effect of the Supreme Court reversal decision is to uphold the constitutionality of Connecticut statutes exempting interest on bonds and notes issued by the State of Connecticut and its political subdivisions from State taxation while the State of Connecticut taxes the interest on out-of-state bonds and notes.

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

Prospective purchasers of the Notes are advised to consult their own tax advisors regarding the other applicable state and local tax consequences of ownership and disposition of the Notes, 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.

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

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

**APPENDIX D - FORM OF CONTINUING DISCLOSURE
AGREEMENT FOR BONDS**

Appendix D – Continuing Disclosure Agreement For Bonds

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of August 11, 2010, is executed and delivered by the Town of East Haddam, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Representative” means the Finance Administrator or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Section 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than eight months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;

- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 - 1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);
 - 2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);
 - 3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);
 - 4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);
 - 5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);
 - 6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);
 - 7. "Modifications to rights of securities holders," pursuant to Sections 4(c) and 4(a)(7);
 - 8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);
 - 9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);
 - 10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);
 - 11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);
 - 12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
 - 13. "Other material event notice (specify)," pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.
- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: "Debt Summary", "Statement of Statutory Debt Limitation", "Bonded Debt Maturity Schedule", "Taxable Grand List", "Major Tax Payers", "Tax Collections" and "Property Taxes Receivable", provided, however, that reference to such headings in the Official Statement as a means of identifying such financial information and operating data shall not prevent the Town from reorganizing such material in subsequent official statements.

(b) Audited Financial Statements prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with generally accepted accounting principles ("GAAP") will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of Bond holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds;
11. Rating changes on the Bonds;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) _____.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer

is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement

and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Connecticut (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent

By: _____
Name:
Title:

TOWN OF EAST HADDAM, CONNECTICUT,
as Issuer

By: _____
Name: Mark B. Walter
Title: First Selectman

By: _____
Name: Kathleen A. Klinck
Title: Treasurer

By: _____
Name: Cynthia Varricchio
Title: Finance Administrator

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Town of East Haddam, Connecticut
Name of Bond Issue:	\$3,825,000 General Obligation Bonds, Issue 2010
Date of Issuance:	August 11, 2010
Date of Official Statement:	July __, 2010

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

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CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

CUSIP Number: 272623__

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Town of East Haddam, Connecticut

Name of Bond Issuer: \$3,825,000 General Obligation Bonds, Issue of 2010

Date of Issuance: August 11, 2010

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of August 11, 2010, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Issuer

cc: East Haddam, Connecticut

EXHIBIT C

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages attached:

Description of Material Event Notice (Check One):

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-Payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to rights of securities holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes
12. ☐ Other material event notice (specify)

13. ☐ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:
Signature:

Name:

 Title:

Employer: Digital Assurance Certification, L.L.C.

Address:

City, State, Zip Code:

Voice Telephone Number:

**APPENDIX E - FORM OF CONTINUING DISCLOSURE
AGREEMENT FOR NOTES**

Appendix E – Continuing Disclosure Agreement For Notes

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of August 11, 2010, is executed and delivered by the Town of East Haddam, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Notice Event notice delivered to the Disclosure Dissemination Agent is the Notice Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“Disclosure Representative” means the Finance Administrator or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 6 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes for federal income tax purposes.

“Information” means the Notice Event notices.

“Notice Event” means an event listed in Section 2(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notes” means the notes as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Notes.

SECTION 2. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Notes constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. Modifications to rights of Note holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes;
11. Rating changes on the Notes; and
12. Other material event notice (specify)_____.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 2 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit B, describing the Notice Event by checking the appropriate box therein.

SECTION 3. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to notices of Notice Events, the Issuer shall indicate the full name of the Notes and the 9-digit CUSIP numbers for the Notes as to which the provided information relates.

SECTION 4. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of

the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 5. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 6. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 7. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Notes or under any other document relating to the Notes, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 8. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Notes or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Notes.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or

question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 10. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 11. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Connecticut (other than with respect to conflicts of laws).

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name:
Title:

TOWN OF EAST HADDAM, CONNECTICUT,
as Issuer

By: _____
Name: Mark B. Walter
Title: First Selectman

By: _____
Name: Kathleen A. Klinck
Title: Treasurer

By: _____
Name: Cynthia Varricchio
Title: Finance Administrator

EXHIBIT A

NAME AND CUSIP NUMBERS OF NOTES

Name of Issuer:	Town of East Haddam, Connecticut
Name of Bond Issue:	\$720,000 General Obligation Bond Anticipation Notes, Issue 2010
Date of Issuance:	August 11, 2010
Date of Official Statement	July __, 2010

CUSIP Number: 272623__

EXHIBIT B

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

_____ or Nine-

Digit CUSIP Number(s) of the notes to which this material event notice relates:

Number of pages of attached: _____

Description of Material Event Notice (Check One):

1. ☐ Principal and interest payment delinquencies
2. ☐ Non-Payment related defaults
3. ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
4. ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
5. ☐ Substitution of credit or liquidity providers, or their failure to perform
6. ☐ Adverse tax opinions or events affecting the tax-exempt status of the security
7. ☐ Modifications to rights of securities holders
8. ☐ Bond calls
9. ☐ Defeasances
10. ☐ Release, substitution, or sale of property securing repayment of the securities
11. ☐ Rating changes
12. ☐ Other material event notice (specify) _____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly: Signature:

_____ Name: _____

_____ Title: _____

Employer: Digital Assurance Certification, L.L.C.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

APPENDIX F - NOTICE OF SALE AND PROPOSAL FOR BONDS

NOTICE OF SALE

TOWN OF EAST HADDAM, CONNECTICUT
\$3,825,000
GENERAL OBLIGATION BONDS, ISSUE OF 2010

SEALED BIDS AND ELECTRONIC BIDS via **PARITY**® will be received by the TOWN OF EAST HADDAM, CONNECTICUT (the "Town"), until 11:30 A.M. (E.D.T.) on WEDNESDAY,

JULY 21, 2010

for the purchase, when issued, of all (but not less than all) of the Town's \$3,825,000 General Obligation Bonds, Issue of 2010, dated August 1, 2010 (the "Bonds"), at no less than par and accrued interest from the date of the Bonds to the date of delivery, maturing on August 1 in the principal amounts and years as follows:

<u>Date of</u> <u>Maturity</u>	<u>Amount</u>	<u>Date of</u> <u>Maturity</u>	<u>Amount</u>
2012	\$200,000	2022	\$200,000
2013	\$200,000	2023	\$200,000
2014	\$200,000	2024	\$200,000
2015	\$200,000	2025	\$200,000
2016	\$200,000	2026	\$200,000
2017	\$200,000	2027	\$200,000
2018	\$200,000	2028	\$200,000
2019	\$200,000	2029	\$200,000
2020	\$200,000	2030	\$225,000
2021	\$200,000		

The Bonds will bear interest commencing August 1, 2011 and semiannually thereafter on February 1 and August 1 in each year until maturity, at the rate or rates per annum specified by the successful bidder.

The Bonds will constitute general obligations of the Town payable, unless paid from other sources, from ad valorem taxes levied against all taxable property in the Town. All property taxation is without limit as to rate or amount, except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts.

Optional Redemption

The Bonds maturing on or before August 1, 2020 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2021 and thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 1, 2020, at any time, either in whole or in part, in such amounts and in such order of maturity (but by lot within a maturity) as the Town may determine, at the following redemption price, expressed as a percentage of the principal amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2020 and thereafter	100.0%

DTC Book Entry

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal, redemption premium, if any, and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal, redemption premium, if any, and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Town as of the close of business on the record date preceding each interest payment date. The record dates for the Bonds will be the fifteenth day of January and July in each year, or the preceding business day if such fifteenth day is not a business day.

Proposals

Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium, and must specify in a multiple of one-twentieth of one percent ($1/20$ of 1%) or one-eighth of one percent ($1/8$ of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than two percent (2%). In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the responsible bidder whose bid proposes the lowest true interest cost to the Town. For the purposes of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 1, 2010, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to August 11, 2010, the delivery date of the Bonds. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in Federal funds.

The Bonds will be awarded or all bids will be rejected promptly after the bid opening, or not later than 5:00 p.m. (Hartford time) on July 21, 2010. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be announced through *PARITY*® at least 24 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

CUSIP Numbers

The deposit of the Bonds with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. It is anticipated that the purchaser will apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Sealed Proposals Bidding Procedure

Sealed bids for the Bonds should be addressed to The Honorable Mark B. Walter, First Selectman, Town of East Haddam, c/o Webster Bank, National Association, CityPlace II, 185 Asylum Street, Government Finance, 3rd Floor Conference Room, Hartford, Connecticut 06103, Attention: Christine M. Caruolo, Assistant Vice President, and enclosed in a sealed envelope marked "Bid for the Town of East Haddam Bonds".

Electronic Proposals Bidding Procedure

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of *PARITY*® until 11:30 A.M. E.S.T. on Wednesday, July 21, 2010. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*®, including any fee charged, may be obtained from *PARITY*®, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support telephone: (212) 849-5021 – e-mail notice: parity@i-deal.com. The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of *PARITY*® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Town. By submitting a bid for the Bonds via *PARITY*®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of *PARITY*®, or the inaccuracies of any information, including bid information or worksheets supplied by *PARITY*®, the use of *PARITY*® facilities being the sole risk of the prospective bidder. Each bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of *PARITY*® prospective electronic bidders shall be solely responsible to make necessary arrangements to access *PARITY*® for the purpose of submitting its bid in a timely manner and

in compliance with the requirements of this Notice. Neither the Town nor *PARITY*® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town or *PARITY*® shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The Town is using *PARITY*® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of *PARITY*® to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via *PARITY*® are the sole responsibility of the bidders; and the Town is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone *PARITY*® at (212) 849-5021. If any provision of this Notice shall conflict with information provided by *PARITY*®, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on *PARITY*® shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery

At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford and New Haven, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds.

Bond Counsel Opinion

The legality of the issue will be passed upon by Updike, Kelly & Spellacy, P.C., of Hartford and New Haven, Connecticut, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will appear on each Bond certificate and will state that the Bonds are valid and binding obligations of the Town. Absent special circumstances preventing compliance, the law firm of Updike, Kelly, & Spellacy, P.C., of Hartford and New Haven, Connecticut, bond counsel to the Town, will require as a precondition to release of its opinion printed on the Bonds that the winning bidder of such Bonds deliver to it a completed certificate regarding public reoffering price with respect to the Bonds awarded to such bidder, the form of such certificate to be furnished to the winning bidder following the bond sale. The completed certificate should be delivered to Michael P. Botelho, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, P.O. Box 231277, Hartford, Connecticut 06123 (Tel. No. (860) 548-2637).

The legal opinion will also state that based on and assuming the accuracy of and continuing compliance with certain written representations and agreements received from authorized officials of the Town in connection with the issuance and delivery of the Bonds, as to which bond counsel has made no independent verification, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes and is not included in Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax. The opinion will also provide that interest on the Bonds is not treated as a preference item for purposes of calculating the federal alternative

minimum tax for individuals or corporations, and is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the federal alternative minimum tax imposed on corporations.

The Bonds will be designated as “qualified tax-exempt obligations” by the Town in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds will be delivered against payment in immediately available Federal funds through the facilities of DTC, New York, New York on August 11, 2010.

Official Statement

For more information regarding the Bonds or the Town, reference is made to the Preliminary Official Statement dated July 15, 2010 (the “Official Statement”) prepared by the Town’s financial advisor, Webster Bank, National Association, describing the Bonds and the financial condition of the Town. The Official Statement is available on the iDeal Prospectus website at “www.i-dealprospectus.com” for review. In addition, copies of the Official Statement may be obtained from Christine R. Caruolo, Assistant Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, Telephone (860) 692-1711, Email: ccaruolo@websterbank.com. Fifty (50) copies of the Official Statement, which those bidding upon the Bonds should distribute to persons purchasing the Bonds from such bidders, will be made available by the Town to the winning bidder of the Bonds by no later than the earlier of the delivery of the Bonds or the seventh business day after the bid opening. Additional copies of the Official Statement may be obtained by the winning bidder at its own expense by arrangement with the printer. The Town deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate.

Continuing Disclosure Agreement

As required by the Rule, the Town will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide timely notices of the occurrence of certain material events with respect to the Notes. A copy of the Agreement is attached to the Official Statement as Appendix E. As part of the Agreement, the Town has contracted with Digital Assurance Certification, L.L.C. to assist it in the performance of its continuing disclosure obligations under the Rule. The winning bidder’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to deliver of the Notes, an executed Agreement.

Bona Fide Public Offering

As a condition of the sale and delivery of the Bonds by the Town to the winning bidder at closing, the winning bidder must make a bona fide public offering of each of the maturities of the Bonds at the public offering prices set forth on the inside cover of the Final Official Statement and provide satisfactory evidence thereof to the Town and bond counsel.

TOWN OF EAST HADDAM, CONNECTICUT

By: _____
Mark B. Walter
First Selectman

By: _____
Kathleen A. Klinck
Treasurer

By: _____
Cynthia Varricchio
Finance Administrator

July 15, 2010

(See attached form for Proposal for Bonds)

PROPOSAL FOR BONDS

July 21, 2010

Mark B. Walter, First Selectman
 Kathleen A. Klinck, Treasurer
 Cynthia Varricchio, Finance Administrator
 Town of East Haddam
 c/o Webster Bank, National Association
 Government Finance
 City Place II, 3rd Floor
 185 Asylum Street
 Hartford, CT 06103

East Haddam Town Officials:

Subject to the provisions of the Notice of Sale dated July 15, 2010, which Notice is made part of this proposal, we offer to purchase all of the \$3,825,000 General Obligation Bonds, Issue of 2010, dated August 1, 2010, of the Town of East Haddam, Connecticut (the "Bonds") described in said Notice of Sale, and to pay therefor par plus a premium of \$_____, plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

<u>Date of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
2012	\$200,000	_____%	2022	\$200,000	_____%
2013	\$200,000	_____%	2023	\$200,000	_____%
2014	\$200,000	_____%	2024	\$200,000	_____%
2015	\$200,000	_____%	2025	\$200,000	_____%
2016	\$200,000	_____%	2026	\$200,000	_____%
2017	\$200,000	_____%	2027	\$200,000	_____%
2018	\$200,000	_____%	2028	\$200,000	_____%
2019	\$200,000	_____%	2029	\$200,000	_____%
2020	\$200,000	_____%	2030	\$225,000	_____%
2021	\$200,000	_____%			

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$3,825,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

APPENDIX G - NOTICE OF SALE AND PROPOSAL FOR NOTES

NOTICE OF TELEPHONE SALE

TOWN OF EAST HADDAM, CONNECTICUT

\$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

TELEPHONE PROPOSALS will be received by the TOWN OF EAST HADDAM, CONNECTICUT (the "Town"), at (860) 692-1347 or (860) 692-1329 until 11:00 A.M. (E.D.T.) on WEDNESDAY,

JULY 21, 2010

for the purchase, when issued, at no less than par of \$720,000 General Obligation Bond Anticipation Notes of the Town, dated August 11, 2010 and due August 10, 2011 (the "Notes"). The Notes will be certified by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will act as Certifying Agent, Transfer Agent, Registrar and Paying Agent.

The Notes are due and payable as to both principal and interest at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will constitute general obligations of the Town and are payable, unless paid from other sources, from ad valorem taxes levied against all taxable property subject to taxation by the Town. All property taxation is without limit as to rate or amount, except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on August 11, 2010.

Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$1,000 or any integral multiple thereof (except for any odd amount), with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received until 11:00 A.M. (E.D.T.) on behalf of the Town by telephone call to Webster Bank, Government Finance, CityPlace II, 185 Asylum Street, Hartford, Connecticut at (860) 692-1347 or (860) 692-1329. All telephone bids must be completed by 11:00 A.M. (E.D.T.) on Wednesday, July 21, 2010 and shall be submitted in the form of proposal attached hereto. All telephone bids shall be deemed to incorporate the provisions of this Notice of Sale.

Basis of Award. Unless all bids are rejected, as between proposal which comply with this Notice of Sale, the Notes will be awarded to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified. The Town reserves the right to award to any bidder all or any part of the Notes bid in its proposal. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. Proposals may be made for all or any part of the Notes, but any proposal must be for at least \$100,000 and in multiples of \$1,000. The right is reserved to reject any and all bids and to waive any irregularity or informality with respect to any bid.

Certifying Agent, Registrar, Paying Agent and Transfer Agent. The Notes will be certified by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes are valid and binding obligations of the Town when duly certified; (2) that, based on and assuming the accuracy of and continuing compliance by the Town with certain representations, agreements and other certifications received from the Town in connection with the issuance and delivery of the Notes, as to which bond counsel has made no independent verification, under existing law, interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes; interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax for individuals or corporations, and is not includable in the adjusted current earnings of a corporation (as defined for Federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations; and (3) that, under existing law, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the Federal alternative minimum tax. The Notes will be designated as "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Official Statement. For more information regarding the Notes or the Town, reference is made to the Preliminary Official Statement dated July 15, 2010 (the "Official Statement") prepared by the Town's financial advisor, Webster Bank, National Association, describing the Notes and the financial condition of the Town. Copies of the Official Statement may be obtained from Christine R. Caruolo, Assistant Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, Telephone (860) 692-1711, Email: ccaruolo@websterbank.com. Ten (10) copies of the Official Statement, which those bidding upon the Notes should distribute to persons purchasing the Notes from such bidders, will be made available by the Town to the winning bidder of the Notes by no later than the earlier of the delivery of the Notes or the seventh business day after the bid opening. Additional copies of the Official Statement may be obtained by the winning bidder at its own expense by arrangement with the printer. The Town deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), but such Official Statement is subject to revision or amendment as appropriate.

Continuing Disclosure Agreement. As required by the Rule, the Town will undertake, pursuant to a Continuing Disclosure Agreement (the "Agreement"), to provide timely notices of the occurrence of certain material events with respect to the Notes. A copy of the Agreement is attached to the Official Statement as Appendix E. As part of the Agreement, the Town has contracted with Digital Assurance Certification, L.L.C. to assist it in the performance of its continuing disclosure obligations under the Rule. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to delivery of the Notes, an executed Agreement.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford and New Haven, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a receipt of payment for the Notes; (d) a Continuing Disclosure Agreement; (e) a signed copy of the Official Statement prepared for this note issue; and (f) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement.

CUSIP Numbers. The deposit of the Notes with DTC under book-entry system requires the assignment of CUSIP numbers prior to delivery. It is anticipated that the purchaser will apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Reoffering Prices. IT SHALL BE THE RESPONSIBILITY OF THE PURCHASER TO FURNISH TO THE TOWN IN WRITING BEFORE THE DELIVERY OF THE NOTES THE REOFFERING PRICES AT WHICH A SUBSTANTIAL PORTION OF THE NOTES WERE SOLD.

TOWN OF EAST HADDAM, CONNECTICUT

By: _____
Mark B. Walter
First Selectman

By: _____
Kathleen A. Klinck
Treasurer

By: _____
Cynthia Varricchio
Finance Administrator

July 15, 2010

(See attached form of Proposal for Notes)

PROPOSAL FOR NOTES

July 21, 2010

Mark B. Walter, First Selectman
Kathleen A. Klinck, Treasurer
Cynthia Varricchio, Finance Administrator
Town of East Haddam
c/o Webster Bank, National Association
Government Finance
City Place II, 3rd Floor
185 Asylum Street
Hartford, CT 06103

East Haddam Town Officials:

Subject to the provisions of the Notice of Sale dated July 15, 2010, which Notice is made part of this proposal, we offer to purchase the indicated principal amount of the \$720,000 Town of East Haddam General Obligation Bond Anticipation Notes and to pay therefor par and pay the premium specified below, if any, as follows:

For \$_____ of \$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of East Haddam, Connecticut dated August 11, 2010 and maturing on August 10, 2011, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

For \$_____ of \$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of East Haddam, Connecticut dated August 11, 2010 and maturing on August 10, 2011, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

For \$_____ of \$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of East Haddam, Connecticut dated August 11, 2010 and maturing on August 10, 2011, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

For \$_____ of \$720,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES, of the Town of East Haddam, Connecticut dated August 11, 2010 and maturing on August 10, 2011, bearing an interest rate of _____% per annum, we bid par plus a premium of \$_____. The net interest cost to the Town is _____% (four decimals).

This undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal funds on the date of the Notes.

(Name of Bidder)

(Mailing Address)

(Authorized Signature)

(Telephone Number)

(Facsimile Number)