

Preliminary Official Statement Dated February 8, 2011

New Issue: Book-Entry-Only

Ratings: See "Bond Ratings" herein.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.



Town of Cheshire, Connecticut

\$8,675,000

General Obligation Bonds, Issue of 2011

Dated: February 15, 2011

**Due: Serially on July 15, 2012 - 2030,
as detailed below:**

Interest on the Bonds will be payable on July 15, 2011 and semiannually thereafter on January 15 and July 15 in each year until maturity. The Bonds will be issued in book-entry-only form whereby the beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, and interest payments on, the Bonds will be made by the Town to The Depository Trust Company, New York, New York ("DTC"), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

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

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

Maturity Schedule

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2012	\$ 460,000	___%	___%	165375	2022	\$ 455,000	___%	___%	165375
2013	460,000	___%	___%	165375	2023	455,000	___%	___%	165375
2014	460,000	___%	___%	165375	2024	455,000	___%	___%	165375
2015	460,000	___%	___%	165375	2025	455,000	___%	___%	165375
2016	460,000	___%	___%	165375	2026	455,000	___%	___%	165375
2017	460,000	___%	___%	165375	2027	455,000	___%	___%	165375
2018	455,000	___%	___%	165375	2028	455,000	___%	___%	165375
2019	455,000	___%	___%	165375	2029	455,000	___%	___%	165375
2020	455,000	___%	___%	165375	2030	455,000	___%	___%	165375
2021	455,000	___%	___%	165375					

Electronic bids via PARITY for the Bonds will be received until 11:30 A.M. (E.S.T) on Tuesday, February 15, 2011 at Cheshire Town Hall, Conference Room 210, 84 South Main Street, Cheshire, Connecticut 06410.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about February 25, 2011.



No dealer, broker, salesperson, or other person has been authorized by the Town to give any information or to make any representations not contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

Other than as to matters expressly set forth in Appendix B, Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

This Official Statement is in a term deemed final by the Town for purposes of Rule 15c2-12, but is subject to revision or amendment.

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Bond Issue Summary

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

Date of Sale:	Tuesday, February 15, 2011 at 11:30 A.M. (E.S.T.)
Location of Sale:	Cheshire Town Hall, 84 South Main Street, Cheshire, Connecticut 06410
Issuer:	Town of Cheshire, Connecticut (the "Town").
Issue:	\$8,675,000 General Obligation Bonds, Issue of 2011 (the "Bonds").
Dated Date:	February 15, 2011.
Interest Due:	July 15, 2011 and semiannually thereafter on January 15 and July 15, in each year until maturity.
Principal Due:	The Bonds are due serially, July 15, 2012 through July 15, 2030, as detailed in this Official Statement.
Purpose:	The proceeds of the Bonds will be used to fund various sewer, general purpose and school construction projects authorized by the Town.
Redemption:	The Bonds are subject to redemption prior to maturity.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	Application for a rating has been made to Moody's Investors Service and Fitch Ratings. The Town's most recent General Obligation Refunding Bonds of July 2010 and the Town's other outstanding general obligation securities, received a 'Aa1' rating from Moody's Investors Service and a 'AAA' rating from Fitch Ratings, respectively.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	See "Tax Matters" herein.
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 and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in form attached as Appendix C to this Official Statement.
Bank Qualification:	The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 (email: ctmuniservices@usbank.com).
Legal Opinion:	Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel.
Financial Advisor:	Phoenix Advisors LLC, of Milford, Connecticut will act as Financial Advisor. Telephone (203) 878-4945.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made on or about February 25, 2011, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Patti-Lynn Ryan, Director of Finance & Treasurer, Town Hall, 84 South Main Street, Cheshire, Connecticut 06410. Telephone (203) 271-6610.

I. Bond Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Cheshire, Connecticut (the "Town") in connection with the original sale of \$8,675,000 General Obligation Bonds, Issue of 2011 (the "Bonds") of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Town since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representation of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof.

The Bonds are being offered for sale at public bidding. A Notice of Sale for the Bonds dated February 8, 2011 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

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

Financial Advisor

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the Town with respect to the issuance of the Bonds (the "Financial Advisor") and has assisted the Town in preparing this Official Statement. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Bonds

The \$8,675,000 principal amount of the Bonds will mature as set forth on the cover page of this Official Statement.

The Bonds will be dated February 15, 2011 and will bear interest at the rates per annum specified on the cover page, payable on July 15, 2011 and semiannually thereafter on January 15 and July 15, in each year until maturity. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of December and June in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC and the Town shall agree. Principal will be payable at the office of U.S. Bank National Association.

Optional Redemption

Bonds maturing on or before July 15, 2018 are not subject to redemption prior to maturity. The Bonds maturing on July 15, 2019 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after July 15, 2018 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as a percentage of the principal amount of Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<i>Period During Which Redeemed</i>	<i>Redemption Price</i>
July 15, 2018 and thereafter.....	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the date fixed for redemption to the 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, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts 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 interest held by DTC 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 DTC Participants. The DTC 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.

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Authorization and Purpose

The Town of Cheshire has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized by a resolution of the Town Council subject to certain procedures outlined in the Town Charter (see "Authority to Incur Debt" herein). Notes and bonds may be issued to meet certain emergency appropriations as provided in the Connecticut General Statutes.

The projects financed by the Bonds include:

Project Number	Project Name	Bond Authorization	Previously Bonded, Paid Down or Grants ¹	Bonds This Issue
<u>General Purpose</u>				
713	Land Acquisition.....	\$ 17,925,623	\$ 16,631,038	\$ 200,000
1071	Police Roof Repair.....	165,000	-	165,000
1079	Emergency Generator.....	177,000	88,600	88,400
1070	Geographic Information System.....	135,000	-	135,000
1045	Installation of Water Mains.....	200,000	-	200,000
tbd	Fire Breathing Apparatus Upgrade.....	425,000	-	425,000
816	Public Works Roof.....	110,000	96,000	14,000
912	Marion Road Improvements.....	220,000	163,400	56,600
924	Drainage N. Brooksville Road.....	200,000	100,000	51,500
937	Bridges, Culverts & Dams.....	750,000	350,000	350,000
1022	Road Repavement Program.....	2,325,000	1,069,179	1,055,000
1046	Repair & Replacement East Johnson Bridge.....	450,000	365,400	84,600
1051	Repair & Replacement Country Club Road.....	600,000	-	590,000
1028	Mixville Pond Dredging.....	135,000	67,500	67,400
1080	Sidewalk Program.....	200,000	-	200,000
1081	Public Works Dump Trucks.....	290,000	-	290,000
tbd	Road Repavement Program 2011.....	1,500,000	-	520,000
1047	Mixville Pond Improvements.....	90,000	-	64,300
1074	Library Reconfiguration & Refurnishing.....	160,000	-	160,000
Subtotal General Purpose.....		26,057,623	18,931,117	4,716,800
<u>Sewer</u>				
913	Update Wastewater Facility.....	525,000	500,000	25,000
923	Sanitary Sewer Expansion.....	610,000	400,000	210,000
931	Lilac Drive Pump Station.....	750,000	500,000	208,200
938	Mixville Pump Station Design.....	150,000	100,000	16,000
939	WPCD Plant Influent Pump Station.....	950,000	200,000	300,000
1052	Mixville Pump Station Construction.....	1,150,000	-	750,000
1082	West Johnson Pump Station Design.....	180,000	-	180,000
1073	Cook Hill Pump Station Design.....	120,000	-	120,000
Subtotal Sewer.....		4,435,000	1,700,000	1,809,200
<u>School</u>				
1048	District Wide Roof Replacement 2010.....	162,000	64,800	95,000
1049	District Wide Century 21st Classroom.....	250,000	-	245,000
1050	CHS Track Resurfacing	150,000	-	150,000
tbd	District Wide Roof Replacement 2011.....	1,000,000	-	450,000
1076	District Wide Paving.....	125,000	-	125,000
1054	CHS Infrastructure.....	500,000	-	250,000
1083	District Wide Flooring Replacement.....	300,000	-	270,000
1077	CHS Improvements 2011.....	154,000	-	154,000
1030	Dodd Kitchen Renovation.....	570,000	50,000	410,000
Subtotal Schools.....		3,211,000	114,800	2,149,000
Grand Totals.....		\$ 33,703,623	\$ 20,745,917	\$ 8,675,000

¹ Bonds, General Fund appropriations and grants (received and pending).

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the new program, the State of Connecticut will make proportional progress payments for eligible costs during project construction. The State grant will be paid directly to the municipality after it submits its requests for progress payments, and accordingly, the municipality will issue bonds only for its share of project costs.

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other security transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of security certificates. Direct Participants include both U.S. and non-U.S. security 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 under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Town or Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

Security and Remedies

The Bonds will be general obligations of the Town of Cheshire, Connecticut and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts.

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

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

The Town is subject to suit on its general obligation bonds and 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 from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order,

the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Under the Federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title II of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter 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 or other obligations.

Qualification for Financial Institutions

The Bonds **will be** designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.

Availability of Continuing Disclosure Information

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided; (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the continuing disclosure agreement with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed in substantially the form attached hereto as Appendix C to this Official Statement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and notices of material events pursuant to Rule 15c2-12(b)(5). The Town has never defaulted in its obligations to provide annual financial information pursuant to such continuing disclosure agreements, except for a failure to make a timely submission to the nationally recognized municipal securities information repositories (the "NRMSIRs") by January 31, 2004 of its audited financial statements for its fiscal year ending June 30, 2003. As a Tier II community, the Town initially implemented GASB 34 for fiscal year ending June 30, 2003. A delay in the completion of the audited financial statements of the Town for the fiscal year ending June 30, 2003 arose, in main part stemming from compliance with requirements under GASB 34 with respect to the recording of fixed assets, and from staff turnover. The Town requested and received an extension from the State of Connecticut for filing of the audited financial statements. The Town also requested and received an extension from the Government Finance Officers Association for submitting the CAFR to the Certificate of Achievement for Excellence in Financial Reporting program. The Town timely filed with the NRMSIRs a notice of its failure to file the audited financial statements. The Town's completed audited financial statements, and financial information and operating data were filed with the NRMSIRs on February 13, 2004.

Bond Ratings

Application has been made to Moody's Investors Service, Inc. and Fitch Ratings (the "Rating Agencies") for a rating on the Bonds. The Town furnished to the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings reflect only the views of the Rating Agencies. No application was made to any other rating agencies for the purpose of obtaining ratings on outstanding securities of the Town.

Generally, the Rating Agencies base their rating upon such information and materials and upon investigations, studies and assumptions by the Rating Agencies. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in their judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Town's outstanding bonds and notes, including this issue.

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

The Town's most recent ratings received on its June 2010 General Obligation Refunding Bonds are as follows: "Aa1" by Moody's Investors Service, Inc. and "AAA" by Fitch Ratings.

Tax Matters

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

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

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

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. 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 their attention, or to reflect any changes in law that may thereafter occur or become effective.

Bond Insurance

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

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II. The Issuer

Description of the Municipality

Cheshire, originally a part of the Town of Wallingford, was settled in 1694 and incorporated as a town in May 1780. Located in the south central section of the State, Cheshire is approximately 14 miles north of New Haven and 25 miles southwest of Hartford. The Town has a land area of 33 square miles and is bounded on the north by Southington and Wolcott, on the east by Meriden and Wallingford, on the south by Hamden and Bethany, and on the west by Prospect and Waterbury.

For its first 170 years, Cheshire was predominantly a rural farming community. During the past 60 years, the Town has become a residential suburban community. Despite significant industrial/commercial growth, Cheshire retains its rural characteristics with thousands of acres of open space and an active agricultural industry.

From its predominantly agricultural base in 1950, the economy of Cheshire has diversified and is growing steadily, showing a change from several hundred employees in goods producing industries to nearly 2,000 in 2004. The number of industrial operations has risen from a few to more than 150 housed in over 4.0 million square feet of industrial space. The Town has zoned 2,500 acres for industrial use in the north central section of Town, created the position of Economic Development Coordinator, and completed a sewer interceptor line to the Cheshire Industrial Park. In 1992, the Town completed improvements to its sewer treatment plant more than doubling its design capacity to 3,500,000 gallons per day. In addition, the Town has undertaken an active program to retain and promote the growth of Cheshire businesses. In 1993, the Town adopted a policy for the possible granting of tax and infrastructure incentives to businesses that are compatible with Cheshire.

The Town's industrial zone is bounded on the west by Interstate 84, a major highway between Boston and New York. Interstate 691 traverses the industrial zone and links Interstate 84 to Interstate 91, 8 miles to the east. In addition, State Highway Routes 10 and 68/70, which run north-south and east-west respectively, intersect in the

center of Cheshire. Over 70 intra and interstate area trucking companies are available to service Cheshire business and industry. International air service is 35 miles away at Bradley International Airport and 15 miles to the south is Tweed-New Haven Airport, available for commuter and general aircraft use. The port of New Haven, third largest in New England, handles all types of cargo and is less than one-half hour away.

Cheshire is served by four daily newspapers and one local weekly newspaper. Cable is provided by AT&T and Cox Communications.

In addition to a variety of year-round recreational and cultural activities available in Cheshire, residents of the Town also have easy access to a wide range of recreational and cultural opportunities in both the greater New Haven and greater Hartford areas.

Government Organization

Cheshire is governed by a council-manager form of government, which was adopted under a Town Charter approved by Town voters on June 9, 1971. The most recent Town Charter revisions became effective January 1, 1996.

The legislative function is performed by a Town Council of nine members, one member for each of the four voting districts and five members elected at large. Not more than seven persons from any one political party may serve as Council members. All Council members are elected biennially for two-year terms. The Town Council is empowered to adopt the Town's budget, fix the mill rate and enact local ordinances. A Mayor is elected from within the Council and acts as its Chairman. The Town Council also appoints the members of all boards and commissions, except those positions that are elected.

The Town Council appoints the Town Manager who serves as the Chief Executive Officer of the Town. The Town Manager is responsible, in accordance with the Town Charter, for the operation of the municipality, including the appointment of all department heads.

The Board of Education, a seven member elected body, is responsible for the operation of the public school system and appoints a Superintendent of Schools who serves as the Chief Administrative Officer of the school system.

The Town Council adopted a Strategic Plan in May 2003. An integrated list of goals, strategies and objectives, as proposed by a Task Force and prioritized by the Town Council with input from a community-wide survey, had been crafted into a comprehensive Strategic Plan document. This Strategic Plan document contains the Town Strategic Vision, department background, prioritized goals, integrated goals, strategies and projects, survey summary, and plans for implementation and annual reviews. The most recent formal review was completed in June 2008.

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Principal Municipal Officials

Office	Name	Manner of Selection/Term	Years of Service As of February 2011
Town Manager	Michael A. Milone ¹	Appointed	21 years
Director of Finance/Treasurer	Patti-Lynn Ryan	Appointed	5 years
Deputy Director of Finance	James J. Jaskot	Appointed	13 years
Personnel Director/Assistant Town Manager	Louis A. Zullo	Appointed	16 years ³
Dir. of Public Works/Town Engineer	Joseph Michaelangelo ²	Appointed	9 years
Chief of Police	Michael Cruess	Appointed	30 years ⁴
Fire Chief	Jack Casner	Appointed	7 years ⁵
Town Planner	William Voelker	Appointed	5 years
Economic Development Coordinator	Gerald L. Sitko	Appointed	19 years

¹ Mr. Milone spent his first ten years with the Town as Finance Director/Treasurer.

² Mr. Michaelangelo served as acting Director of Public Works since July 2003 and Operations Manager since June 2002. He was appointed Director in November 2003.

³ Non-consecutive.

⁴ Mr. Cruess has served as Chief of Police since March 2006.

⁵ Fire Chief is a new full time position; prior to this, Mr. Casner served as Fire Chief in a volunteer capacity.

Resumes of Key Municipal Officials

Michael A. Milone, Town Manager: Michael A. Milone has been with the Town of Cheshire since January 1990. Mr. Milone served as Finance Director/Treasurer for the Town for 10½ years, and was appointed Town Manager in May 2000. He has been in municipal government for 33 years, having worked for the City of New Haven for 13 years prior to coming to Cheshire. While with the City, Mr. Milone worked as a Management Analyst, Executive Assistant to the Controller, Deputy Controller, and he spent his final six years with the City as Controller (Chief Financial Officer).

Mr. Milone graduated from Georgetown University with a Bachelor's Degree in Public Administration and received a Master's Degree in Public Administration from New York University.

Mr. Milone has been an adjunct professor at the University of New Haven for fourteen years from 1986 through 2000, where he taught a graduate course in Local Government Finance. Currently Mr. Milone is a Credentialed Manager for the International City/County Manager's Association (ICMA), and Chairman of the Committee on Taxes and Finance for the Connecticut Conference of Municipalities (CCM). Mr. Milone is a past member of the Government Finance Officers Association of the United States and Canada (GFOA), former Board member of the Connecticut GFOA (GFOA CT), and former member of the State of Connecticut Municipal Finance Advisory Commission. In addition, Mr. Milone is a former chairman of the City of New Haven's Financial Review and Audit Commission of which he had been a member from April 1994 through 2000.

Patti-Lynn Ryan, Director of Finance & Treasurer: Patti-Lynn Ryan became the Town of Cheshire's Finance Director & Treasurer in March 2006. Prior to coming to Cheshire, Ms. Ryan worked at the Town of Stratford for five years where she served as Finance Project Manager, Assistant Finance Director, and Acting Director of Finance. Ms. Ryan also worked with McGladrey & Pullen for three years, where her primary responsibilities included municipal audits.

Ms. Ryan graduated from Quinnipiac University with a Bachelor of Science degree in Accounting and is a Certified Public Accountant. She is a member of the Government Finance Officers Association (GFOA), New England States Government Finance Officers Association (NESGFOA) and a board member of the GFOA CT.

James J. Jaskot, Deputy Director of Finance: James J. Jaskot became the Deputy Director of Finance in July 1998. Prior to coming to Cheshire, Mr. Jaskot worked for over fourteen years in public accounting with emphasis on municipal accounting, auditing and financial reporting. He has supervised the financial statement and grant audits of a number of Connecticut municipalities.

Mr. Jaskot graduated from the University of Connecticut in 1983 with a Bachelor of Science Degree in Accounting. He is a Certified Public Accountant and member of the American Institute of Certified Public Accountants, Connecticut Society of Certified Public Accountants (CSCPA), and the GFOA CT. He is a past chair of the CSCPA Governmental Accounting and Auditing Committee and served as President of the GFOA CT Board.

Louis A. Zullo, Personnel Director/Assistant Town Manager: Louis A. Zullo has been Personnel Director since August 2000 and the Assistant Town Manager since April 2006. He has also served as Cheshire's Assistant to the Town Manager from 1986 to 1992. He had spent fourteen years with the Town of East Haven as Community Development Coordinator and then Director of Administration and Management. Prior to his return to Cheshire, Mr. Zullo served as Administrative Officer of the Town of Woodbridge for two years.

Mr. Zullo received a Bachelor of Arts degree in Political Science from Providence College in 1975 and a Master of Public Administration degree from the University of New Haven in 1984.

Joseph Michelangelo, Director of Public Works and Town Engineer: Joseph Michelangelo was appointed to his current position in November of 2003. He had previously served in an acting capacity for five months and as the Public Works Operations Manager since June 2002. Mr. Michelangelo has been in the municipal public works field for seventeen years, having served as the Director of Public Works and Town Engineer for the Town of Oxford for 3 ½ years, the Deputy Director of Public Works for the Town of Monroe for two years, and the Assistant City Engineer for the City of Shelton for nine years. Prior to that Mr. Michelangelo worked for private engineering firms.

Mr. Michelangelo graduated from the University of New Haven with Bachelor of Science Degrees in Civil Engineering and Electrical Engineering. Mr. Michelangelo is a Registered Professional Engineer in the State of Connecticut. He is a member of the Connecticut Association of Street and Highway Officials and the American Public Works Association.

Michael Cruess, Chief of Police: Michael Cruess joined the Cheshire Police Department in July 1980 and was appointed Chief of Police in March 2006 after serving as the Deputy Chief of Police since December 2005. Chief Cruess has served as a Patrolman, Sergeant, Lieutenant, and Captain and has worked in each of the Department's Divisions.

Chief Cruess graduated in 1980 from the University of New Haven with a Bachelors Degree in Law Enforcement Administration. He is a member of the Connecticut Chiefs of Police Association and the New England Association of Chiefs of Police.

Jack Casner, Fire Chief: Jack Casner joined the volunteer fire department in 1987 and was appointed to the position of full time fire chief in January of 2004 after serving as a Lieutenant, Captain, and Fire Inspector over the course of his fire service career. Chief Casner was the volunteer fire chief for seven years prior to his appointment in 2004.

A twenty-two year veteran of the fire service Chief Casner has gained his education through Connecticut colleges and fire service education through the State of Connecticut Fire Academy. Chief Casner is a member of the International Association of Fire Chiefs, member and past president of the Waterbury Area Fire Chiefs Association, Connecticut Career Fire Chiefs Association, New England Fire Chiefs Association, New York State Fire Chiefs Association and several other related associations. Chief Casner is a member of the National Fire Protection Association and sits on several committees and boards within several of these associations and organizations. Currently Chief Casner is President of the Connecticut Fire Chiefs Association.

William Voelker, Town Planner: William Voelker has been employed by the Town of Cheshire since November 2005. Prior to coming to Cheshire, Mr. Voelker worked as the Director of Community Planning and Development for the Town of Simsbury since 1996. He has also served as the Town Planner of Berlin for seven and a half years and was the Assistant Planning Director for the City of Meriden for three plus years. He is a member of the American Institute of Certified Planners and is also a member of the American Planning Association, the Connecticut Developers Council, and the International Council of Shopping Centers.

Mr. Voelker holds a Bachelor of Arts degree from SUNY-Oswego and a Masters Degree in Community Planning and Development from the University of Rhode Island.

Gerald L. Sitko, Economic Development Coordinator: Gerald L. Sitko has been the Town's Economic Development Coordinator since 1991. Mr. Sitko came to Cheshire from the Connecticut Business and Industry Association where he was Assistant Director of Public Affairs for six years. He also served as Glastonbury's Assistant Town Manager for six years. Mr. Sitko received a Bachelor of Arts degree in Political Science from the University of Delaware. He received a Master of Arts degree in Urban Studies from the University of Akron.

Municipal Services

Police

The Cheshire Police Department is staffed with 55 full-time positions broken down into the following divisions: Administration – 4 sworn officers and 4 civilians; Patrol – 30 sworn officers and 6 civilians; Investigations – 8 sworn officers; and Traffic – 3 sworn officers. The Department also employs 7 school crossing guards as well as 1 full-time and 1 part-time animal control officer.

The headquarters building is a 20,000+ square foot facility. The department is equipped with a state-of-the-art telephone and radio communication system, and a local area network computer system for computer aided dispatch, record keeping, crime analysis and management. The Department has installed computers in each of the police cruisers linking them to headquarters by a cellular radio data link. The Department is connected to 24 hour-a-day statewide and national computerized criminal justice information system. Cheshire Police have a fleet of 25 marked and unmarked vehicles including a mobile command post vehicle.

Fire

Fire suppression and rescue services are provided by the Cheshire Fire Department. The Department is comprised of 138 active volunteer members. The Chief of the Department is a full time position appointed by the Town Manager. The Fire Chief is responsible for the administrative activities and personnel matters in addition to the services delivered and provided by the Department. Firefighters receive more than 350 hours of recruit level training in fire suppression and hazardous materials handling plus an additional 70-100 hours annually of in-service training. The Town appropriates funds annually for the operation of the Department that are used for training, insurance, fleet maintenance, and purchasing of apparatus and equipment. The Department maintains three (3) fire stations including Fire Headquarters and two (2) substations. The Department is equipped with seven (7) pumping engines, two (2) heavy rescues, one (1) 75' articulating aerial truck, one (1) 100 telescoping aerial truck, one (1) brush truck and one (1) water rescue unit and two (2) utility vehicles. The Department also provides public education through its numerous fire prevention activities. There are three full time employees in the Fire Marshal's office, who provide assistance to the volunteer fire department in the form of driving fire apparatus or acting in one of many capacities as needed or directed by the Chief of the Department. The Police Department dispatches the Fire Department by receiving all 911 calls, and then notifies fire personnel and equipment via a sophisticated communications system which connects all Fire Department equipment and personnel.

Parks and Recreation

The Parks and Recreation Department offers leisure programs and services to the citizens of Cheshire. Over 300 acres devoted to parks and recreational activities are reserved as conservation land. Included in the conservation land areas are Roaring Brook, a natural area with a diversity of habitat, wild flowers and a water course that falls eighty feet; Lock 12 Historical Park, a restored 150 year old canal lock and gatekeeper's home on the Farmington Canal; Cheshire Park, 75 acres, 25% set aside for active recreation with the balance undeveloped; Mixville Recreation Area which offers swimming, sledding, picnicking; and Harmon Leonard, Jr. Youth Center which offers activities for preschool, teens, adults and senior citizens. Other park areas are set aside for baseball, softball, soccer, tennis, basketball and summer concerts. Additional park facilities include a 2.9 mile paved hiking and biking trail along the Farmington Canal, Bartlem Park which features eight ball-fields, a 50 meter year-round community pool, "boundless" playground apparatus, a skateboard facility, and a community garden, and an 80 by 180 foot fenced in Rollerblading Rink at Quinnipiac Park. The Department offers a wide range of year-round recreational activities for all age groups.

Public Works

The Public Works Department has a complement of 40 administrative, technical, clerical, and labor personnel responsible for the maintenance and repair of 152 miles of roads, the sewer system, Town buildings, operation of the solid waste transfer station and applicable engineering services.

Effective July 1, 2010 Cheshire entered into a Municipal Solid Waste Disposal contract with Covanta Projects of Wallingford, L.P., under which it participates with four other south central Connecticut municipalities (Hamden, Meriden, North Haven and Wallingford) in the Wallingford Regional Solid Waste Project. This regional solid waste facility consists of a mass-burn solid waste, resource recovery, steam and electric generation facility located in the Town of Wallingford.

Previous to entering into this contract with Covanta, Cheshire and these four other communities were members of the Connecticut Resource Recovery Authority (CRRA) system, which managed this facility for the previous 20 years with Covanta operating the facility for at least the past 10 years.

The contract with CRRA expired on June 30, 2010, and Covanta exercised their option to acquire the plant at that time. Cheshire and these four other communities chose to contract directly with Covanta as of July 1, 2010, as the most advantageous option for continuing solid waste disposal.

Library

The Cheshire Public Library houses the collection of over 100,000 items including books, recordings, framed art, and 275 journal subscriptions. The library provides a full range of information services and answers over 25,000 reference questions a year utilizing both print and computerized resources. Over 3,000 books are borrowed through inter-library loan services using regional and national databases. The library also provides various activities such as lectures, demonstrations, art exhibits and youth programs. Over 20,000 adults and children from Cheshire and surrounding towns are registered as borrowers.

Youth & Social Services

The Department of Youth & Social Services provides services directly to individuals or families experiencing difficulty in meeting their basic human needs such as physical survival, adequate preparation for and help in sustaining gainful employment, social support and interaction especially in times of personal or family crisis, assistance in overcoming specific pathologies and help in gaining access to available, appropriate services. The department also provides positive youth development programming, leadership training, volunteer programs, recreational programs, and youth and family counseling.

Senior & Transportation Services

The Senior & Transportation Services Department works to make Cheshire a desirable place to live for residents 55 years of age and older, by offering programs and activities that help older people maintain their dignity and independence and that encourage their involvement in the community. The Senior Center provides a variety of services to meet the transportation, nutritional, social, recreational, and physical needs of our older residents. The Center promotes business and youth interaction, and encourages seniors to volunteer their time at the Center to enrich their own lives and the lives of other older residents.

Inspection

The Inspection Department issues all types of mechanical and building permits and is responsible for the inspection and approval of all the permitted construction in the Town in accordance with the state building code. The Department is staffed by a Building Official, an Assistant Building Official, an Electrical Inspector and a Secretary. The Plumbing & Heating Inspector's position is currently unfilled.

Planning and Zoning

The Town has a nine member elected Planning and Zoning Commission which is responsible for adopting and administering the zoning and subdivision regulations and for developing and updating the Comprehensive Plan of Development which was most recently updated in June 2008. The Department is staffed by a Town Planner, an Assistant Town Planner who also serves as Zoning Enforcement Officer, and an Environmental Planner.

Economic Development

The Economic Development Commission ("EDC"), a seven-member body appointed by the Cheshire Town Council, works with the Economic Development Coordinator to promote and develop the town's economic resources. The EDC feels that economic growth should be of high quality and compatible with the town and that the future commercial and industrial growth be linked closely to thoughtful planning and zoning decisions.

The EDC takes an active role in issues that affect the town's quality of life. EDC members feel that this involvement helps to make Cheshire a more attractive community in which to live and do business.

The Economic Development Coordinator and EDC maintain contact with Cheshire companies as part of the EDC's retention activities. The EDC continued to hold monthly meetings and commenced holding focus group sessions with local companies to learn about and discuss possible ways the town could be of service to Cheshire businesses. Information and services are provided regularly by the coordinator to prospective businesses as well as existing companies.

The Economic Development Coordinator continued to maintain a working relationship with state agencies, utilities, the Connecticut Economic Resource Center (CERC), real estate professionals and other organizations in

order to assist existing businesses or prospects interested in expanding or relocating their facilities in the town. Earlier this year, the EDC heard from the commissioner of the Connecticut Department of Economic & Community Development (DECD) about the state economic strategic plan and its applicability to municipalities.

In the Cheshire real estate market, recent development activity has been significant and diversified. Off Highland Avenue, 551 West Johnson Avenue LLC completed construction of the first of three industrial flex space buildings and commenced work on the second. When completed, this project will total 82,000 SF. Also, Alderson Funeral Home finished work on its 6,000 SF building off South Main Street.

In addition, Rite Aid Pharmacy completed work on a 14,700 SF pharmacy off Main Street. LAK Leasing finished work on a 6,000 SF swimming pool contractor facility off Grandview Court. And, 129 Main Street and 471 West Main Street were renovated for hair, nail and skin care facilities.

Further, 1104 Meriden-Waterbury Road Associates completed construction of a 4,000 SF medical office building. BCI Financial purchased and renovated 219 South Main Street, formerly owned by Wachovia Bank. United Snack Group purchased a 6,000 SF industrial condominium off Highland Avenue. Creative Dimensions leased 70,000 SF at 345 McCausland Court and Ciampi Financial Services commenced work on a 2,000 SF office addition at 2778 Waterbury Road. And, 200 Old Towne Road was approved for mixed residential and retail use and subsequently renovated.

Finally, 882 South Main Street was purchased and renovated for a Dollar Tree Store. McDonald's was approved for a new 3,900 SF building off South Main Street and Campion Ambulance finished work on a 2,500 SF building to replace its facility at Highland Avenue and Route 10.

In the summer of 2009, Pratt & Whitney announced that it planned to close its repair and overhaul facility in Cheshire, idling 800 employees. Pratt currently has 500 employees in this facility. When the Cheshire plant is closed, the town expects to be aggressive in order to bring this modern 294,000 SF facility to productive use.

Despite the Pratt announcement, the town's economic prospects are positive. Several projects are being considered for construction in Cheshire. Also, socioeconomic indicators such as per capita and median family income and educational attainment continue to exceed the norms in Connecticut. Further, Cheshire's unemployment rates continue to be below those of the State of Connecticut.

Health

Cheshire is a member of the multi-town (Cheshire, Prospect and Wolcott) Chesprocott Health District which provides public health and sanitation inspection services to the member municipalities.

Sewer System

The Water Pollution Control Authority oversees management of a sewer system that serves approximately 4,400 properties, or 60% of the Town's population, including the central business district and Cheshire Industrial Park. The Municipal Sanitary Sewer System has been extended into the western, southern, southeastern, and northern sections of the Town. Sewage is received and treated at the Wastewater Treatment Plant, which was upgraded and expanded in 1992 to a designed capacity of 3,500,000 gallons per day. The \$19.4 million expansion was funded with a grant for 20% of all eligible costs and a 2% loan for the rest of all eligible costs from the State of Connecticut. The current average daily flow is 2,600,000 gallons per day. The Town recovers nearly 80% of construction costs for lateral sewers through the collection of sewer assessments remitted over several years. Users of the system pay an annual sewer use charge, which meets 100% of the annual operating expenses of the sewer system.

Water

The South Central Connecticut Regional Water Authority supplies Cheshire with water from four wells located in Cheshire, with additional capacity available from the Authority's system in adjacent Hamden.

Gas

Gas service is supplied by Yankee Gas, which currently serves approximately 1,250 customers in Cheshire.

Electricity

Electricity is furnished to approximately 9,900 customers in Cheshire by the Connecticut Light and Power Company.

Employee Relations and Collective Bargaining

Municipal Employees ¹

	2010-11	2009-2010	2008-09	2007-08	2006-07
General Government	210	210	215	214	213
Board of Education	607	620	649	649	641
Total	817	830	864	863	854

¹ Full-time equivalent

Source: 2011 Adopted Budget.

Employees Bargaining Organizations

Employee Group	Bargaining Organization	Number of Employees ¹	Contract Expiration Date
<u>General Government</u>			
Police	Local 1720 of American Federation of State, County and Municipal Employees, Connecticut Council 15, AFL-CIO	40	6/30/2012
Public Works	Local 1303 of American Federation of State, County and Municipal Employees, Connecticut Council 4, AFL-CIO	33	6/30/2009 ²
Dispatchers	Local 40 Connecticut Independent Labor Union	6	6/30/2013
Town Hall Employees	Local 1303-374 of American Federation of State, County and Municipal Employees, Connecticut Council 4, AFL-CIO	43	6/30/2009 ²
Library	Local 1303-431 of AFSCME	18	6/30/2009 ²
Total		140	
<u>Board of Education</u>			
Administrators	Cheshire Administrative Personnel	17	6/30/2011
Teachers	Educational Association of Cheshire	386	6/30/2012
Clerical	Cheshire Educational Secretaries Association – Civil Service Employees Affiliates Incorporated SEIU, Local 2001 CTW	55	6/30/2011
Custodial	Cheshire Custodians Local 424-Unit 19 of United Public Service Employees Union	26	6/30/2012
Instructional Assistants/ Lunch Room and Playground Aides	Cheshire Instructional Assistants Association, CSEA Inc., SEIU, AFL-CIO, Local 2001 CTW	158	6/30/2012
Total		642	

Source: Finance Director and Superintendent of Schools, Town of Cheshire

¹ Includes full-time and part-time union employees only.

² In arbitration.

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

Education System

The Town's school system services grades pre-kindergarten through grade 12 and is governed by the local Board of Education. Cheshire has a 7-member Board of Education elected to 4-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such 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. The Town has 8 schools for grades pre-kindergarten through 12. Enrollment in grades pre-kindergarten through 12 as of October 1, 2010 was 4,799. The rated capacity of the system facilities is 5,168.

School Facilities

<i>Facility</i>	<i>Grades</i>	<i>Date of Construction</i>	<i>Most Recent Additions & Renovations</i> ¹	<i>Number of Classrooms</i>	<i>Enrollment 10/1/2010</i>	<i>Rated Capacity</i> ²
Chapman School	1-6	1949	1981	19	300	380
Doolittle School	1-6	1962	1996	30	517	600
Highland School	1-6	1971	1979	43	827	860
Norton School	1-6	1955	1996	24	488	480
Dodd Middle	7-8	1958	2004	32	786	820
Cheshire High	9-12	1952	2000	71	1,516	1,575
Humiston School ³	Sp.Ed.	1912	1971	6	22	29
Darcey School ⁴	Pre-School	1947	1985	4	85	100
Darcey Kindergarten ⁴	K	1990	1990	9	258	324
Total				238	4,799	5,168

¹ Other additions and renovations to school buildings include: Chapman School 1954, 1962; Doolittle 1981, 1994; Norton School 1956, 1981, 1994; Dodd Middle 1969, 1980, 1994, 2004; Cheshire High School 1955, 1961, 1971, 1979, 1993; Humiston 1919, 1925; Darcey School 1954, 1961, 1984.

² Capacities were taken from Cheshire Public Schools – 2005 Study per Kaestle Boos Associates, Inc., dated 4/17/97. Since the study, some space has been converted to be used as classroom space to accommodate the increased enrollment. As a result, total capacity has increased to 5,168.

³ Renovated in 1971 for use for certain special education students and is also the site for the Cheshire Public Schools Administrative offices.

⁴ A portion of the facility is used for pre-school students and kindergarten.

Source: Superintendent of Schools, Town of Cheshire.

School Enrollment and Projections

<i>As of October 1</i>	<i>Grades Pre-K-6</i>	<i>Grades 7-8</i>	<i>Grades 9-12</i>	<i>Special Education</i>	<i>Total</i>
Actual ¹					
2001	2,646	848	1,459	100	5,053
2002	2,655	823	1,536	88	5,102
2003	2,676	826	1,578	85	5,165
2004	2,622	835	1,599	102	5,158
2005	2,628	823	1,625	100	5,176
2006	2,605	819	1,640	94	5,158
2007	2,565	824	1,611	119	5,119
2008	2,500	818	1,579	109	5,006
2009	2,486	815	1,545	99	4,945
2010	2,390	786	1,538	85	4,799
Projected ²					
2011	2,369	769	1,557	86	4,781
2012	2,326	733	1,515	88	4,662
2013	2,292	712	1,508	90	4,602

¹ Student Census Report/Racial Survey filed with the State Department of Education as of October 1.

² These are projections, they are intended as such, and not as representations of fact. No representation is made that such statements will be realized.

Source: Superintendent of Schools, Town of Cheshire.

III. Economic and Demographic Information

Population and Density

Year	Town of Cheshire		
	Population	% Change	Density ¹
2008	29,066	1.83%	880.8
2000	28,543	11.13%	864.9
1990	25,684	17.88%	778.3
1980	21,788	14.37%	660.2
1970	19,051	--	577.3

¹ Density based on 33 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, 1970–2000.

State of Connecticut, Department of Public Health.

Age Distribution of the Population

	Town of Cheshire		State of Connecticut	
	Number	Percent	Number	Percent
Under 5	1,648	5.8	223,344	6.6
5 to 9	2,028	7.1	244,144	7.2
10 to 14	2,137	7.5	241,587	7.1
15 to 19	2,362	8.3	216,627	6.4
20 to 24	1,238	4.3	187,571	5.5
25 to 34	3,199	11.2	451,640	13.3
35 to 44	5,206	18.2	581,049	17.1
45 to 54	4,609	16.1	480,807	14.1
55 to 59	1,564	5.5	176,961	5.2
60 to 64	960	3.4	131,652	3.9
65 to 74	1,682	5.9	231,565	6.8
75 to 84	1,319	4.6	174,345	5.1
85 and over	591	2.1	64,273	1.9
Total	28,543	100.0	3,405,565	100.0
Median Age (years)		38.4		37.4

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

Income Distribution

Income	Town of Cheshire		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000	80	1.1	33,423	3.8
\$10,000 to \$14,999	57	0.8	23,593	2.7
\$15,000 to \$24,999	246	3.4	63,262	7.1
\$25,000 to \$34,999	289	4.0	75,413	8.5
\$35,000 to \$49,999	722	10.0	120,134	13.6
\$50,000 to \$74,999	1,226	16.9	198,924	22.5
\$75,000 to \$99,999	1,663	22.9	141,981	16.0
\$100,000 to \$149,999	1,645	22.7	132,177	14.9
\$150,000 to \$199,999	559	7.7	42,472	4.8
\$200,000 or more	768	10.6	54,368	6.1
Total	7,255	100.0	885,747	100.0

Income Levels

	<u>Town of Cheshire</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
Per Capita Income, 2000	\$33,903	\$24,439	\$28,799
Per Capita Income, 1990	\$23,204	\$17,666	\$20,189
Median Family Income, 2000	\$90,774	\$60,549	\$65,521
Percent Below Poverty, 2000	1.6%	7.0%	5.6%

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

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

	<u>Town of Cheshire</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th grade	432	2.3	132,917	5.8
9 th to 12 th grade, no diploma	1,013	5.3	234,739	10.2
High School graduate (includes equivalency)	4,051	21.2	653,300	28.5
Some college, no degree	3,067	16.0	402,741	17.5
Associate degree	1,432	7.5	150,926	6.6
Bachelor's degree	5,092	26.6	416,751	18.2
Graduate or professional degree	4,050	21.2	304,243	13.3
Total	19,137	100.0	2,295,617	100.0
Percent high school graduate or higher		92.4%		84.0%
Percent bachelor's degree or higher		47.8%		31.4%

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

Employment Data

	<u>Town of Cheshire</u>			<u>Percentage Unemployed</u>		
<u>Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Town of Cheshire</u>	<u>New Haven Labor Market</u>	<u>State of Connecticut Labor Market</u>
December 2010 ...	14,803	13,819	984	6.6	9.0	8.6
<u>Annual Average</u>						
2010.....	14,876	13,839	1,037	7.0	9.2	9.0
2009.....	14,790	13,854	936	6.3	8.2	8.2
2008.....	14,716	14,048	668	4.5	6.0	5.8
2007.....	14,651	14,107	544	3.7	4.8	4.6
2006.....	14,435	13,937	498	3.4	4.6	4.4
2005.....	14,489	13,930	559	3.9	5.0	4.9
2004.....	14,407	13,851	556	3.9	4.9	4.9
2003.....	14,769	14,272	497	3.4	5.4	5.5
2002.....	14,829	14,459	370	2.5	4.1	4.3
2001.....	14,512	14,205	307	2.1	3.2	3.3
2000.....	14,275	14,070	205	1.4	2.3	2.2

Source: Department of Labor, State of Connecticut

**Major Employers
As of January 2011**

Employer	Nature of Business	Number of Full-Time Employees
Bozzuto's Inc.	Wholesale Food Distribution	1,209
State of Connecticut.....	Correctional Facilities	1,000
Town of Cheshire.....	Municipality	817
Pratt & Whitney Eagle Services.....	Manufacturing	500
Goodrich Corporation.....	Manufacturing	465
Macy's Logistics.....	Distribution	388
Alexion Pharmaceuticals.....	Biotech	284
Webster Bank	Banking	280
Value Health Care Services.....	Pharmaceuticals	239
Elim Park Baptist Home.....	Retirement Community	190

Source: Economic Development Coordinator, Town of Cheshire.

**Building Permits
(Values in 000s)**

Fiscal Year	Residential ¹		Industrial/Commercial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2010	40	\$ 7,104	3	\$1,835.00	1,524	\$ 12,611	1,567	\$21,550
2009	33	4,389	0	-	1,476	16,010	1,509	20,399
2008	47	8,653	8	9,748	1,660	21,868	1,715	40,269
2007	54	8,659	4	894	2,080	28,589	2,138	38,142
2006	57	10,501	5	1,794	1,847	21,563	1,909	33,858
2005	51	11,545	2	4,155	1,833	24,345	1,886	40,045
2004	50	8,496	2	1,938	1,716	18,636	1,768	29,070
2003	32	5,478	5	8,027	1,757	17,766	1,794	31,271
2002	53	7,197	11	12,601	1,948	23,291	2,012	43,089
2001	60	7,917	4	1,901	1,942	21,573	2,006	31,391

¹ Includes single, multi-family condominiums, apartments.

Source: Building Official, Town of Cheshire.

Housing Unit Inventory and Vacancy Rates

Housing Units	Town of Cheshire		New Haven County		State of Connecticut	
	No.	Percent	No.	Percent	No.	Percent
1-unit, detached	7,506	78.6	182,141	53.5	816,706	58.9
1-unit, attached	638	6.7	17,763	5.2	71,185	5.1
2 units	175	1.8	33,390	9.8	119,585	8.6
3 or 4 units	313	3.3	39,746	11.7	127,032	9.2
5 to 9 units	269	2.8	19,162	5.6	76,836	5.5
10 to 19 units	295	3.1	14,293	4.2	52,697	3.8
20 or more units	337	3.5	32,220	9.5	109,740	7.9
Mobile home	18	0.2	1,956	0.6	11,580	0.8
Boat, RV, van, etc.	-	-	61	-	614	-
Total Inventory	9,551	100.0	340,732	100.0	1,385,975	100.0
Occupied housing units	9,349	97.5	319,040	93.6	1,301,670	93.9
Vacant housing units	239	2.5	21,692	6.4	84,305	6.1
Total Units	9,588	100.0	340,732	100.0	1,385,975	100.0
Median number of rooms per unit	6.9	-	5.4	-	5.6	-
Homeowner vacancy rate	-	0.9%	-	1.3%	-	1.1%
Rental vacancy rate.....	-	3.5%	-	6.4%	-	5.6%

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

Owner Occupied Housing Units

Specified Owner Occupied Units	Town of Cheshire		New Haven County		State of Connecticut	
	No.	Percent	No.	Percent	No.	Percent
Less than \$50,000	7	0.1	1,737	1.0	5,996	0.8
\$50,000 to \$99,999	153	2.1	24,648	14.7	85,221	11.7
\$100,000 to \$149,999	1,026	14.1	55,592	33.2	212,010	29.1
\$150,000 to \$199,999	2,089	28.6	40,122	23.9	156,397	21.5
\$200,000 to \$299,999	2,633	36.1	30,230	18.0	137,499	18.9
\$300,000 to \$499,999	1,170	16.0	12,121	7.2	79,047	10.9
\$500,000 to \$999,999	205	2.8	2,634	1.6	38,168	5.2
\$1,000,000 or more	9	0.1	456	0.3	13,906	1.9
Total	7,292	100.0	167,540	100.0	728,244	100.0

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

Age Distribution of Housing

Year Built	Town of Cheshire		New Haven County		State of Connecticut	
	No.	Percent	No.	Percent	No.	Percent
1999 to March 2000	149	1.6	3,466	1.0	15,993	1.2
1995 to 1998	561	5.9	10,518	3.1	47,028	3.4
1990 to 1994	428	4.5	13,813	4.1	56,058	4.0
1980 to 1989	1,939	20.3	44,080	12.9	183,405	13.2
1970 to 1979	1,441	15.1	50,100	14.7	203,377	14.7
1960 to 1969	1,771	18.5	49,468	14.5	212,176	15.3
1940 to 1959	2,347	24.6	88,388	25.9	359,042	25.9
1939 or earlier	915	9.6	80,899	23.7	308,896	22.3
Total	9,551	100.0	340,732	100.0	1,385,975	100.0

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

Breakdown of Land Use

As of December 2010

Land Use Category	Total Area		Residential		Commercial		Industrial	
	Acres	Percent	Acres	Percent	Acres	Percent	Acres	Percent
Developed	9,224.70	44.00	7,288.40	39.60	153.63	78.10	1,782.86	67.00
Undeveloped	11,903.30	56.00	11,102.80	60.40	43.10	21.90	877.14	33.00
Total	21,128.00	100.00	18,391.20	100.00	196.73	100.00	2,660.00	100.00

Source: Town Planner and Tax Assessor, Town of Cheshire

IV. Tax Base Data

Property Tax Assessment

The Assessor's Office is responsible for general revaluation of real property. A physical revaluation is required every 10 years with 5-year revaluation updates in between the physical revaluations. The Town of Cheshire had a general property revaluation effective October 1, 2008 which included physical inspections of real property. Under Connecticut General Statutes Section 12-62, the Town must next update all real estate values in the year 2013 and every fifth year thereafter and the Town must update all real estate values by physical revaluation in the year 2013. Public Act 06-148 permits the phase in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total assessed values for all taxable real and personal property located within the Town on October 1, of each year. Each year a Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles are computed at 70% of the annual appraisal of motor vehicles. All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

Section 12-124a of the Connecticut State Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien.

Public Act 06-176 permits a municipality, upon approval by its legislative body, to freeze the property taxes due for certain low income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of total tax relief granted plus interest.

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. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last general revaluation. New construction completed after the October 1 assessment is prorated onto the grand list from the date the Building Official issues the Certificate of Occupancy or when the structure is occupied.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the Office of Policy and Management. For the October 1, 2009 grand list, OPM recommended using average retail values from the October 2009 issue of the National Automobile Dealers Association (NADA) guide. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a supplemental property tax as if the motor vehicle had been included on the October Grand List. The assessment is prorated, and the proration is based on the number of months of ownership between October 1 and the following September 30. Motor vehicles purchased in August and September are not assessed until the next October 1 Grand List. The supplemental motor vehicle tax is not due until January 1, a year and three months after the Grand List date. If the motor vehicle replaces a motor vehicle that was assessed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70% of the annual appraisal.

Property 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 property taxes are payable in two installments on July 1 and January 1. Motor vehicle supplemental bills are payable on January 1. An estimate for interest and lien fees outstanding anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year following legal demands and these liens are then assigned to a third party for collection prior to June 30. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after a varying number of years, at which time they cease to be carried as receivables. The suspense accounts are placed with a private collection agency for further collection activity. Real estate accounts are transferred to suspense 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 uncollectable.

Property Tax Collections

Grand List as of 10/1	Fiscal Year Ended 6/30	Net Taxable Grand List (000's)	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Uncollected	
						Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/10
2008 ¹	2010	\$ 2,816,401	26.05	\$ 73,100,607	99.66%	0.34%	0.34%
2007	2009	2,530,560	28.05	71,088,132	99.60%	0.40%	0.02%
2006	2008	2,507,985	27.60	69,282,705	99.59%	0.41%	0.01%
2005	2007	2,481,956	27.15	67,567,688	99.61%	0.39%	0.01%
2004	2006	2,453,364	26.65	65,469,342	99.64%	0.36%	0.00%
2003 ¹	2005	2,412,043	25.75	62,113,305	99.60%	0.40%	0.00%
2002	2004	1,831,354	33.70	61,999,330	99.24%	0.76%	0.00%
2001	2003	1,810,446	32.30	58,691,503	99.34%	0.66%	0.00%
2000	2002	1,779,084	31.00	54,593,910	99.07%	0.93%	0.00%
1999 ¹	2001	1,750,792	30.00	52,889,231	98.96%	1.04%	0.00%

¹ Revaluation.

Source: Collector of Revenue, Town of Cheshire.

Property Taxes Receivable

For the Fiscal Year Ending 6/30	Total Uncollected Taxes	Uncollected for Current Year of Levy
2010	\$281,449	\$247,918
2009	326,850	284,342
2008	332,063	285,264
2007	292,626	263,372
2006	274,496	237,557
2005	317,664	248,024
2004	695,409	472,475

Source: Collector of Revenue, Town of Cheshire.

Principal Taxpayers

Taxpayer	Nature of Business	Assessment	Percent of Net Taxable Grand List ¹
Industrial Ave LLC	Wholesale Food Distribution	\$ 38,587,680	1.36%
Connecticut Light & Power Co.....	Utility	32,959,030	1.16%
CT Indy CH LLC.....	Office/Warehouse/Distribution	21,550,440	0.76%
Cheshire Biotech Acquisition LLC.....	Office/Research/Development	18,417,697	0.65%
Macy's Corporate Services Inc.....	Warehouse/Distribution	16,482,652	0.58%
Bozzutos Inc.	Warehouse/Distribution	12,806,677	0.45%
United Technologies Corp	Jet Engine Repair/Overhaul	9,929,106	0.35%
Marshall Enterprises	Real Estate	8,619,892	0.30%
Cheshire ILMR LLC	Real Estate	8,218,340	0.29%
Montowese Industrial Park	Retail	6,678,400	0.24%
Total		\$ 174,249,914	6.13%

¹ Based on a Net Taxable Grand List for October 1, 2010 of \$2,840,887,913.

Source: Tax Assessor, Town of Cheshire.

Comparative Assessed Valuations of Taxable Property

<i>Grand List as of 10/1</i>	<i>Residential Real Property</i>	<i>Commercial and Industrial Real Property</i>	<i>Other Real Property</i>	<i>Personal Property</i>	<i>Motor Vehicle</i>	<i>Gross Taxable Grand List (000's)</i>	<i>Less Exemptions (000's)</i>	<i>Net Taxable Grand List (000's)</i>	<i>Percent Change</i>
2010	72.9	14.2	0.8	4.6	7.5	\$2,899,654	\$58,766	\$2,840,888	0.5%
2009	72.9	14.3	0.9	4.7	7.2	2,885,498	59,275	2,826,223	0.3%
2008 ¹	72.9	14.3	0.9	4.8	7.1	2,872,182	55,781	2,816,401	11.3%
2007	74.1	12.2	0.6	4.9	8.2	2,574,872	44,312	2,530,560	0.9%
2006	74.2	12.2	0.6	4.6	8.4	2,545,100	37,115	2,507,985	1.0%
2005	74.2	12.2	0.6	4.6	8.4	2,515,541	33,585	2,481,956	1.2%
2004	74.4	12.2	0.6	4.6	8.2	2,477,588	24,224	2,453,364	1.7%
2003 ¹	75.0	12.3	0.7	4.4	7.6	2,431,926	19,884	2,412,042	31.7%
2002	67.9	14.8	1.2	5.8	10.3	1,850,194	18,840	1,831,354	1.2%
2001	67.7	14.7	1.2	6.4	10.0	1,835,312	24,866	1,810,446	1.8%

¹ Revaluation.

Source: Tax Assessor, Town of Cheshire.

Tax-Exempt Property

The following categories of exempt real estate and personal properties are not included in the grand lists.

<i>Public</i>	<i>Assessed Value 10/1/10 ¹</i>
State of Connecticut ²	\$166,197,760
Town of Cheshire	110,802,800
South Central Connecticut Regional Water Authority ²	17,417,322
City of Meriden	2,114,540
Sub-Total Public	296,532,422
Private	
Volunteer Fire	456,920
Scientific	5,486,670
Educational	19,892,810
Historical	258,220
Charitable	1,773,430
Cemeteries	807,500
Churches	26,334,280
Hospitals and Sanitariums	37,964,470
Private College.....	14,550,480
Sub-Total Private	107,524,780
Total Exempt	\$404,057,202
Percent Compared to Net Taxable Grand List	14.22%

¹ Based on a Net Taxable Grand List for October 1, 2010 of \$2,840,887,913.

² The Town has received a pilot payment from the State of Connecticut (prorated due to legislation) of \$2,402,844 as well as \$453,028 from the South Central Connecticut Regional Water Authority and \$158,658 for Colleges & Hospitals for fiscal year 2010-11 for this tax exempt property.

Source: Tax Assessor, Town of Cheshire.

V. Debt Summary
Long-Term Bonded Debt
As of February 25, 2011
(Pro Forma)

Date of Issue	Date of Maturity	Rate	Purpose	Original Issue Amount	Balance Outstanding⁴
General Purpose					
08/01/98	08/01/11	4.00-5.00	General Purpose Bonds – Lot A	\$ 8,884,630	\$ 269,300
11/01/01	08/01/15	4.00-5.00	Refunding Bonds – Lot B	11,226,100	3,650,100
09/01/04	08/01/21	2.00-4.75	Refunding Bonds	15,445,000	12,016,000
02/01/05	02/01/25	3.125-5.125	General Purpose Bonds	3,196,980	841,350
12/15/06	08/01/26	3.50 - 5.00	General Purpose Bonds	3,659,835	3,081,000
06/15/09	01/15/29	2.50 - 4.40	General Purpose Bonds	4,326,486	4,095,000
06/15/10	08/01/22	3.00-5.00	Refunding Bonds - Series A	3,881,000	3,618,000
06/15/10	08/01/20	2.00-5.00	Refunding Bonds - Series B	1,560,000	1,560,000
Sub-total General Purpose				\$ 52,180,031	\$ 29,130,750
Schools¹					
08/01/98	08/01/11	4.00-5.00	School Bonds – Lot A	2,281,270	122,700
11/01/01	08/01/15	4.00-5.00	Refunding Bonds – Lot B	14,415,800	4,687,300
09/01/04	08/01/21	2.00-4.75	Refunding Bonds	6,018,000	5,136,000
02/01/05	02/01/25	3.125-5.125	School Bonds	2,228,020	583,650
12/15/06	08/01/26	3.50 - 5.00	School Bonds	1,140,165	960,000
06/15/09	01/15/29	2.50 - 4.40	School Bonds	1,410,246	1,340,000
06/15/10	08/01/22	3.00-5.00	Refunding Bonds – Series A	675,000	627,000
06/15/10	08/01/20	2.00-5.00	Refunding Bonds – Series B	1,085,000	1,085,000
Sub-total Schools				\$ 29,253,501	\$ 14,541,650
Sewers²					
04/06/93	07/31/12	2.00	CWF 111-C / WWT Plant ³	12,569,081	1,116,127
04/30/95	07/31/12	2.00	CWF 111-CD1/ WWT Plant ³	1,425,949	140,627
08/01/98	08/01/11	4.00-5.00	Sewer Bonds – Lot A	729,100	53,000
11/01/01	08/01/15	4.00-5.00	Refunding Bonds	4,498,100	1,462,600
09/01/04	08/01/19	2.00-4.75	Refunding Bonds	1,077,000	833,000
12/15/06	08/01/26	3.50 - 5.00	Sewer Bonds	700,000	589,000
09/30/07	03/31/27	2.00	CWF 481-C / WWT Plant ^{3,5}	5,226,439	4,338,830
09/30/07	03/31/27	2.00	CWF 112-CSL / WWT Plant ^{3,5}	1,497,614	1,243,273
06/15/09	01/15/29	2.50 - 4.40	Sewer Bonds	1,493,268	1,410,000
06/15/10	08/01/22	3.00-5.00	Refunding Bonds – Series A	1,459,000	1,360,000
Sub-total Sewers				\$ 30,675,551	\$ 12,546,458
Total Outstanding Long Term Debt				\$ 112,109,083	\$ 56,218,858
This Issue					
02/15/11	07/15/30	tbd	General Purpose Bonds	\$ 4,716,800	\$ 4,716,800
02/15/11	07/15/30	tbd	School Bonds	2,149,000	2,149,000
02/15/11	07/15/30	tbd	Sewer Bonds	1,809,200	1,809,200
Total This Issue				\$ 8,675,000	\$ 8,675,000
Grand-Total				\$ 120,784,083	\$ 64,893,858

¹ The State of Connecticut Bureau of School Building Grants will reimburse the Town for the State's share of eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996.

² Does not include Cheshire's obligation to make payments annually to Waterbury to pay a portion of debt service on Waterbury's sewer treatment facilities used by Cheshire. The remaining principal amount is \$40,272.

³ Permanently financed under the State of Connecticut Clean Water Fund Program.

⁴ Excludes Refunded Bonds.

⁵ Debt Service will be paid directly from the Water Pollution Control Fund with usage fees.

Short Term Debt
As of February 25, 2011
(Pro-Forma)

The Town of Cheshire has no short-term debt outstanding.

Other Commitments

The Town has entered into a take-or-pay contract with respect to solid waste. See “Solid Waste” under the “Municipal Services” section herein.

The Town has an obligation to make payments annually to Waterbury to pay a portion of debt service on Waterbury’s sewer treatment facilities used by Cheshire. The remaining principal amount at June 30, 2010 is \$40,272 which will be paid off in fiscal year 2020.

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**Annual Bonded Debt Maturity Schedule
As of February 25, 2011
(Pro Forma)**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue				Cumulative Principal Retired (%)
				General Purpose	Schools	Sewer	Total This Issue	
2011 ¹	\$ 467,715	\$ 55,612	\$ 523,328	\$ -	\$ -	\$ -	\$ -	0.72%
2012	7,428,535	2,097,451	9,525,986	-	-	-	-	12.17%
2013	6,339,746	1,811,863	8,151,609	251,800	114,000	94,200	460,000	22.65%
2014	6,265,069	1,535,863	7,800,931	250,000	110,000	100,000	460,000	33.01%
2015	5,626,327	1,275,469	6,901,796	250,000	115,000	95,000	460,000	42.39%
2016	4,877,712	1,054,663	5,932,375	250,000	115,000	95,000	460,000	50.61%
2017	3,889,226	882,774	4,772,000	250,000	115,000	95,000	460,000	57.32%
2018	3,430,871	743,456	4,174,327	250,000	115,000	95,000	460,000	63.31%
2019	3,412,650	609,421	4,022,072	250,000	110,000	95,000	455,000	69.27%
2020	2,849,567	485,945	3,335,512	250,000	110,000	95,000	455,000	74.36%
2021	2,186,622	388,036	2,574,658	250,000	110,000	95,000	455,000	78.43%
2022	2,188,821	313,338	2,502,158	250,000	110,000	95,000	455,000	82.51%
2023	1,796,164	243,154	2,039,318	250,000	110,000	95,000	455,000	85.98%
2024	1,333,656	187,695	1,521,351	250,000	110,000	95,000	455,000	88.73%
2025	1,341,299	141,102	1,482,400	245,000	115,000	95,000	455,000	91.50%
2026	1,059,096	93,719	1,152,815	245,000	115,000	95,000	455,000	93.83%
2027	965,783	58,180	1,023,964	245,000	115,000	95,000	455,000	96.02%
2028	380,000	33,440	413,440	245,000	115,000	95,000	455,000	97.31%
2029	380,000	16,720	396,720	245,000	115,000	95,000	455,000	98.60%
2030	-	-	-	245,000	115,000	95,000	455,000	99.30%
2031	-	-	-	245,000	115,000	95,000	455,000	100.00%
Total	\$ 56,218,858	\$ 12,027,900	\$ 68,246,758	\$4,716,800	\$2,149,000	\$ 1,809,200	\$ 8,675,000	

¹ Excludes \$7,265,718 in principal payments and \$2,207,742 in interest payments from July 1, 2010 to February 25, 2011.

Overlapping/Underlying Debt

The Town of Cheshire has neither overlapping nor underlying debt.

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

Debt Statement
As of February 25, 2011
(Pro Forma)

Long-Term Debt:

General Purpose (Includes \$29,130,750 outstanding and \$4,716,800 of this issue)	\$ 33,847,550
Schools (Includes \$14,541,650 outstanding and \$2,149,000 of this issue)	16,690,650
Sewers ¹ (Includes \$12,546,458 outstanding and \$1,809,200 of this issue)	14,355,658
Total Long-Term Debt	64,893,858
Short-Term Debt	-
TOTAL DIRECT DEBT	64,893,858
Less: State School Construction Building Grants Principal Receivable (As of 6/30/10) ²	(2,097,219)
Sewer and Water Assessments Receivable (As of 6/30/10)	(733,855)
TOTAL NET DIRECT DEBT	62,062,784
Plus: Overlapping/Underlying Debt	-
TOTAL OVERALL NET DEBT	\$ 62,062,784

¹ Partially supported by benefit assessments.

² The State of Connecticut Bureau of School Building Grants will reimburse the Town for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Current Debt Ratios
As of February 25, 2011
(Pro Forma)

Population ¹	29,066
Net Taxable Grand List (10/1/09) (70% of Estimated Full Value)	\$ 2,826,223,000
Estimated Full Value	\$ 4,037,461,429
Equalized Net Taxable Grand List (10/1/07) ²	\$ 4,354,132,463
Income per Capita (1990) ³	\$ 23,204
Income per Capita (2000) ³	\$ 33,903

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$64,893,858	\$62,062,784	\$62,062,784
Per Capita	\$2,232.64	\$2,135.24	\$2,135.24
Ratio to Net Taxable Grand List	2.30%	2.20%	2.20%
Ratio to Estimated Full Value	1.61%	1.54%	1.54%
Ratio to Equalized Net Taxable Grand List	1.49%	1.43%	1.43%
Debt per Capita to Income per Capita (1990)	9.62%	9.20%	9.20%
Debt per Capita to Income per Capita (2000)	6.59%	6.30%	6.30%

¹ State of Connecticut, Department of Public Health, July 1, 2008.

² Office of Policy and Management, State of Connecticut

³ U.S. Department of Commerce, Bureau of Census.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions starting at the end of the third and continuing in each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for school and sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for school and sewer projects, by the amount of time temporary financing has been outstanding.

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

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

Clean Water Fund Program

The Town of Cheshire is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and denitrification projects which are financed with a 30% grant and 70% loan).

Loans to each municipality are made pursuant to a Project Grant and Project Loan Agreement ("Loan Agreement"). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement, or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement, and thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

As of the date of this Official Statement, the Town currently has approximately \$7,100,000 of Clean Water Fund program permanent loan obligations outstanding reflected in the Town's "Debt Summary" herein.

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Authority to Incur Debt

All debt is issued in accordance with the Connecticut General Statutes. The Town's Charter also specifies certain requirements for the approval and authorization of bonds and notes.

Authorization to incur indebtedness through the issuance of bonds and notes must be authorized by resolution of the Town Council subject to the following procedures for either a special appropriation or capital expenditure:

1. Any appropriation not exceeding \$175,000, which is to be funded by the issuance of bonds and notes, may be approved by the Town Council without a public hearing. Any item contained in the Annual Capital Expenditure Plan not exceeding \$175,000, which is to be funded by the issuance of bonds and notes, may be approved by the Council subsequent to a public hearing on the entire Capital Expenditure Budget for the current fiscal year.
2. Any appropriation exceeding \$175,000, but not exceeding \$350,000, which is to be funded by the issuance of bonds and notes, may be approved by resolution of the Town Council following a public hearing called by the Town Council, notice of which must be given in a local newspaper. Such an appropriation and bond authorization are subject to approval at referendum if a petition requesting the same is submitted by at least 10% of the electors within 21 days following publication of notice of the making of such an appropriation and bond authorization.
3. Any appropriation which exceeds \$350,000, which is to be funded by the issuance of bonds and notes may be approved by resolution of the Town Council following a public hearing. This appropriation must then be approved by the voters at a referendum.
4. For any appropriation exceeding \$175,000, the amount to be funded from grants, insurance, gifts or other offsetting reimbursements or that is subject to a court judgment or order of the State of Connecticut is excluded in determining whether a referendum is necessary.
5. The approval limits are cumulative for the same special purpose or item in each fiscal year and may be revised by Town Council every five years, based on inflation.

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**Statement of Statutory Debt Limitation
As of February 25, 2011
(Pro Forma)**

Total Tax Collections (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2010..... \$ 73,282,693

Reimbursement For Revenue Loss:

Tax relief for elderly ¹..... 2,000

Base for Debt Limitation Computation..... \$ 73,284,693

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 164,890,559	-	-	-	-
4 1/2 times base.....	-	\$ 329,781,119	-	-	-
3 3/4 times base.....	-	-	\$ 274,817,599	-	-
3 1/4 times base.....	-	-	-	\$ 238,175,252	-
3 times base.....	-	-	-	-	\$ 219,854,079
Total Debt Limitation	\$ 164,890,559	\$ 329,781,119	\$ 274,817,599	\$ 238,175,252	\$ 219,854,079

Indebtedness:

Bonds & CWF PLO's Outstanding..... ¹	29,130,750	14,541,650	12,546,458	-	-
Bonds – This Issue.....	4,716,800	2,149,000	1,809,200	-	-
Debt Authorized But Unissued.....	4,462,838	2,239,657	2,362,387	-	-
Total Indebtedness	38,310,388	18,930,307	16,718,045	-	-

Less:

State School Grants - Principal Receivable ¹	-	(2,097,219) ²	-	-	-
Estimated Grants Receivable ³	(457,004)	(99,800) ⁴	-	-	-
Sewer & Water Assessments Receivable	-	(733,855)	(733,855)	-	-
Total Net Indebtedness	37,853,384	15,999,433	15,984,190	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 127,037,175 \$ 313,781,686 \$ 258,833,409 \$ 238,175,252 \$ 219,854,079

¹ Excludes Refunded bonds.

² State School Construction Building Grants Receivable are estimated. The State of Connecticut Bureau of School Building Grants will reimburse the Town for the State's share of eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School

³ Includes grants to be provided from State of Connecticut Open Space Program, Regional Water Authority, Department of Correction, Local Capital Improvement (LOCIP), Department of Social Services, Clean Water Fund, and the Federal Department of Transportation.

⁴ The State of Connecticut Bureau of School Building Grants will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs for projects authorized by the General Assembly after July 1, 1996.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$512,992,851.

Authorized But Unissued Debt ¹
As of February 25, 2011
(Pro Forma)

Project	Amount Authorized	Amount Previously Financed ²	This Issue	Authorized & Unissued	Estimated Grants Receivable ¹
General Purpose	\$ 51,010,815	\$41,831,177	\$ 4,716,800	\$ 4,462,838	\$ 457,004
Schools	8,282,530	3,893,873	2,149,000	2,239,657	99,800
Sewers	16,009,695	11,838,108	1,809,200	2,362,387	-
Total	\$75,303,040	\$57,563,158	\$8,675,000	\$9,064,882	\$556,804

¹ Subject to audit.

² Includes the amount the Town has permanently financed and amounts financed through grants and equity contributions.

Principal Amount of Outstanding Debt
Last Five Fiscal Years

Fiscal Year Ending 6/30	2010	2009	2008	2007	2006
Long-Term Debt	\$ 63,484,576	\$ 70,997,146	\$ 71,725,743	\$ 78,860,216	\$ 74,696,510
Short-Term Debt	-	-	-	-	-
Total	\$ 63,484,576	\$ 70,997,146	\$ 71,725,743	\$ 78,860,216	\$ 74,696,510

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long-Term Debt ¹	Ratio of Net Long-Term Debt to Assessed Value	Ratio of Net Long-Term Debt to Estimated Full Value	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³
2010	\$2,816,401	\$4,023,430	\$61,387	2.18%	1.53%	29,066	\$2,111.99	6.23%
2009	2,530,560	3,615,086	68,517	2.71%	1.90%	29,066	2,357.29	6.95%
2008	2,507,985	3,582,836	69,315	2.76%	1.93%	29,066	2,384.75	7.03%
2007	2,481,956	3,545,651	75,963	3.06%	2.14%	28,833	2,634.59	7.77%
2006	2,453,364	3,504,806	71,327	2.91%	2.04%	28,884	2,469.43	7.28%

¹ Total debt less school building grants receivable (water and sewer assessments receivable are not deducted).

² State of Connecticut, Department of Public Health.

³ U.S. Department of Commerce, Bureau of Census, 2000: Income Per Capita: \$33,903.

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Ratio of Annual Debt Service to Total General Fund Expenditures ¹

Fiscal Ended 6/30	Total Debt Service	Total General Fund Expenditures ²	Ratio of Debt Service To General Fund Expenditures (%)
2010	\$ 9,808,890	\$ 97,934,336	10.02%
2009	10,292,000	99,002,485	10.40%
2008	10,292,000	93,906,098	10.96%
2007	10,361,999	91,285,180	11.35%
2006	10,362,000	87,950,130	11.78%
2005	10,083,835	81,409,089	12.39%
2004	10,294,951	80,041,508	12.86%
2003	9,847,918	77,558,613	12.70%
2002	9,721,332	75,617,256	12.86%

¹ Presented on a GAAP basis (includes transfers out).

² GAAP basis includes payments made by the State of Connecticut on behalf of Town of Cheshire teachers for the State Teachers' Retirement System.

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VI. Financial Information

The General Fund Revenues, Expenditures and Changes in Fund Balance for the fiscal years ended June 30, 2006 through June 30, 2010 have been derived from audited financial statements on a GAAP basis. The Adopted Budget 2010-2011 provided by the Town is on a budgetary basis.

General Fund Revenues, Expenditures and Changes in Fund Balance

	<i>Adopted</i>					
Revenues:	Budget 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
Property Taxes	\$ 74,697,457	\$ 73,420,198	\$ 71,546,221	\$ 69,639,894	\$ 67,953,935	\$ 66,084,628
Intergovernmental ¹	16,768,702	20,817,817	22,600,186	21,637,810	19,550,029	17,833,833
Investment Income	287,000	150,618	408,838	1,162,408	1,414,922	1,046,175
Charges for services	2,100,552	1,993,783	1,808,443	2,325,298	2,420,762	2,446,603
Other ²	848,000	137,363	160,700	211,869	141,516	183,738
Total Revenues	94,701,711	96,519,779	96,524,388	94,977,279	91,481,164	87,594,977
Expenditures:						
Administration and Finance ⁴	9,161,301	8,906,979	8,521,329	8,303,652	7,838,798	7,251,522
Planning and Development	518,673	486,774	497,205	537,123	444,394	404,319
Public Safety	5,735,667	5,464,447	5,358,911	5,198,304	5,104,519	4,819,471
Public Works	5,014,680	4,911,737	5,190,271	4,903,864	4,807,089	4,592,769
Public Health	434,325	425,381	422,450	413,069	400,353	390,867
Social Services	731,912	692,322	711,451	647,831	630,119	561,319
Cultural services	1,594,718	1,553,875	1,558,858	1,477,123	1,395,829	1,303,545
Leisure services	1,554,095	1,189,158	1,210,175	1,164,282	1,083,201	1,009,195
Education ¹	60,377,875	63,459,814	63,051,443	59,146,513	57,588,979	55,204,406
Debt Service	9,328,465	9,808,890	10,292,000	10,292,000	10,361,999	10,362,000
Total Expenditures	94,451,711	96,899,377	96,814,093	92,083,761	89,655,280	85,899,413
Excess (deficiency) of revenues over expenditures	250,000	(379,598)	(289,705)	2,893,518	1,825,884	1,695,564
Other financing sources (uses):						
Refunding Bond Proceeds	-	8,660,000	-	-	-	-
Bond Premiums/Accrued Interest	-	694,571	-	-	-	-
Payment to Refunded Bond Escrow	-	(9,228,114)	-	-	-	-
Transfer in	850,000	1,453,185	957,948	1,022,699	1,075,292	1,165,161
Transfer out ³	(1,100,000)	(1,034,959)	(2,188,392)	(1,822,337)	(1,629,900)	(2,050,717)
Net other financing sources (uses)	(250,000)	544,683	(1,230,444)	(799,638)	(554,608)	(885,556)
Extraordinary Item:						
State teachers' on-behalf payments	-	-	-	(16,728,000)	-	-
State teachers' on-behalf revenue	-	-	-	16,728,000	-	-
Total Extraordinary Item	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	165,085	(1,520,149)	2,093,880	1,271,276	810,008
Fund Balance, July 1	N/A	10,469,545	11,989,694	9,895,814	8,624,538	7,814,530
Fund Balance, June 30	N/A	\$ 10,634,630	\$ 10,469,545	\$ 11,989,694	\$ 9,895,814	\$ 8,624,538
Operating Revenues						
(including transfers in)	N/A	\$ 97,972,964	\$ 97,482,336	\$ 95,999,978	\$ 92,556,456	\$ 88,760,138
Fund Balance as Percent of General Fund						
Revenues (including Transfers In)	N/A	10.9%	10.7%	12.5%	10.7%	9.7%

¹ GAAP basis includes payments made by the State of Connecticut on behalf of Town of Cheshire for the State Teachers' Retirement System including: \$4,560,000 (6/30/10), \$4,515,000 (6/30/09), \$4,144,000 (6/30/08), \$3,451,000 (6/30/07), and \$3,401,000 (6/30/06).

² Included in the "Other" revenue line item is application of \$600,000 of Fund Balance in the fiscal year 2010-11 adopted budget.

³ Includes transfers to the Capital and Non-Recurring Fund: \$625,000 (6/30/10), \$1,370,000 (6/30/09), \$350,000 (6/30/08), \$1,125,000 (6/30/07), \$925,000 (6/30/06).

⁴ Fiscal Year 2011 Budget includes \$125,000 for contingency.

Analysis of General Fund Balance

	Budget 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
Reserved for:						
Encumbrances	N/A	\$ 1,430,178	\$ 1,182,325	\$ 1,501,779	\$ 908,005	\$ 1,432,500
Prepays	N/A	129,522	-	-	-	-
Debt Service	N/A	-	-	-	-	-
Unreserved, reported in:						
Designated for subsequent year's budget.....	N/A	600,000	938,999 ¹	1,955,375	550,000	550,000
Designated for debt service	N/A	-	-	-	-	-
Designated for Heart & Hypertension	N/A	-	-	-	-	-
General Fund (Undesignated)	N/A	8,474,930	8,348,221	8,532,840	8,437,809	6,642,038
Total General Fund Balance	N/A	\$ 10,634,630	\$10,469,545	\$ 11,989,994	\$ 9,895,814	\$ 8,624,538

¹ Includes an additional appropriation in the amount of \$171,000 made after the budget was adopted.

Historical General Fund Balance Sheet

	Actual 6/30/2010	Actual 6/30/2009	Actual 6/30/2008	Actual 6/30/2007	Actual 6/30/2006
Assets:					
Cash and Investments	\$ 12,736,983	\$ 19,231,924	\$ 18,444,332	\$ 15,197,176	\$ 11,557,824
Receivables and Other Assets	8,120,136	3,288,126	3,790,708	4,405,708	6,624,899
Total Assets	\$ 20,857,119	\$ 22,520,050	\$ 22,235,040	\$ 19,602,884	\$ 18,182,723
Liabilities:					
Accounts Payable	\$ 1,217,114	\$ 1,670,501	\$ 1,118,608	\$ 975,699	\$ 926,878
Due to other funds	-	-	-	-	453
Unearned Revenue	1,319,644	2,375,292	1,173,572	-	-
Accrued Payroll	5,362,517	5,285,595	4,568,578	3,516,056	3,405,694
Deferred Revenue	2,323,214	2,719,117	3,384,588	5,218,315	5,225,160
Total Liabilities	\$ 10,222,489	\$ 12,050,505	\$ 10,245,346	\$ 9,710,070	\$ 9,558,185
Fund Balance					
Reserved	\$ 1,559,700	\$ 1,182,325	\$ 1,501,779	\$ 908,005	\$ 1,432,500
Unreserved	9,074,930	9,287,220	10,487,915	8,987,809	7,192,038
Total Fund Balance	\$ 10,634,630	\$ 10,469,545	\$ 11,989,694	\$ 9,895,814	\$ 8,624,538

Accounting Policies and Basis of Accounting

The Town of Cheshire's accounting system conforms to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. As a reporting entity the Town's financial statements include all funds, account groups, agencies, boards, and commissions that are controlled by or dependent on the Town's executive and legislative branches. All accounts are organized on the basis of fund accounting and account groups. (See Appendix A - "Basic Financial Statements (Excerpted from the Town's Comprehensive Annual Financial Report)" herein.)

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes, Sections 7-391 through 7-397), the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The Town of Cheshire is in full compliance with said provisions. McGladrey & Pullen, LLP of New Haven, Connecticut have audited the Town's finances for fiscal year ended 2010.

Certificate of Achievement for Excellence in Financial Reporting: The Town of Cheshire was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial reports for fiscal years ended June 30, 1993 through June 30, 2009. This is the highest form of recognition for governmental accounting and financial reporting. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program. In addition, the "Distinguished Budget Presentation Award" has been presented to the Town of Cheshire by the GFOA for the fiscal year 2010-2011 Town budget. This is the eleventh year that the Town has received this award as the Town progresses in transforming the budget document from a basic line item budget to a performance based budget.

Budget Adoption Procedure

Section 7-1 of the Town Charter requires that each department, office, board or commission of the Town, including the Board of Education, submit a budget request detailing estimates of the expenditures and anticipated revenues for the ensuing fiscal year to the Town Manager no later than February 15, in accordance with a format prescribed by the Town Manager. By March 10, the Town Manager must present an itemized annual operating budget to the Town Council detailing the Town Manager's recommendations for expenditures and revenues which must be balanced together with a budget message describing the recommended budget and outlining the financial policy for the Town for the upcoming fiscal year. The Town Manager, in making his recommendations, may make adjustments to any budget upwards or downwards except for the budget submitted by the Board of Education for which he may only offer recommendations but may not make any adjustments thereto.

Subsequent to the submission of the budget to the Town Council, a three member Budget Committee of the Town Council conducts a series of public meetings concerning the Town Manager's proposed budget. By no later than April 7, the Town Council must hold one or more public hearings concerning the budget, public notice of which must be given at least five days prior to said hearing. By April 17, the Town Council must adopt a budget and fix a tax rate in mills. The Town Council has the authority to increase or decrease the operating budget submitted by the Town Manager, including that portion pertaining to the Board of Education. The adopted budget must be filed with the Town Clerk and published in its entirety in a local newspaper by no later than April 27. In the event that the Council fails to adopt a budget by April 17, the budget submitted to the Town Council by the Town Manager is deemed to have been adopted and the Town Manager shall establish the tax rate.

The budget adopted by the Town Council is subject to one referendum by petition of at least 10% of the registered electors. Said petition must be filed by May 11, and the Council shall call a referendum to be held no later than June 20. In order for a vote of a referendum to be effective, at least 20% of the qualified electors have to vote and in the event that the budget is rejected, the Council has to adopt a new budget and tax rate and file it with the Town Clerk by June 27.

See "Authority to Incur Debt" herein for a discussion of a capital expenditure appropriation.

See "Capital Improvement Plan" herein for a discussion of the Capital Expenditure Budget.

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Capital Improvement Plan

Annually, the Town Manager prepares a Five Year Capital Expenditure Plan, which is reviewed by the Planning and Zoning Commission and the Town Council in accordance with the Town Charter. Included in the Five Year Capital Expenditure Plan is a recommended Annual Capital Expenditure Budget for the current fiscal year.

Department	Fiscal Year					Total
	2010-11	2011-12	2012-13	2013-14	2014-15	
Administration & Finance						
Finance	\$ 270	\$ 953	\$ -	\$ 460	\$ -	\$ 1,683
Public Property	762	110	550	150	150	1,722
General Services.....	150	130	114	170	133	697
Planning & Development						
Land Acquisition	-	-	1,000	-	-	1,000
Econ. Dev. Commission.....	350	-	-	-	-	350
Public Safety						
Fire	725	420	1,000	275	3,150	5,570
Public Works						
Roads, Sidewalk, Drainage	1,990	1,565	2,245	2,045	1,445	9,290
Sewer & Water	300	30,000	2,000	1,500	150	33,950
Social Services						
Senior Services.....	-	-	150	-	-	150
Cultural Services						
Library.....	160	130	-	-	-	290
Leisure Services						
Parks & Recreation	143	1,375	-	2,975	-	4,493
Education	2,279	905	6,222	4,500	1,794	15,700
Total	\$ 7,129	\$ 35,588	\$ 13,281	\$ 12,075	\$ 6,822	\$ 74,895
Funding Sources						
Bond/Note Proceeds	\$ 4,926	\$ 4,269	\$ 11,531	\$ 10,123	\$ 4,809	\$ 35,658
Clean Water Fund -2% Loan.....	-	24,000	-	-	-	24,000
Clean Water Fund Grant.....	-	6,000	-	-	-	6,000
Education Grants	350	4	106	217	70	747
Other Grants	723	185	260	185	185	1,538
Capital & Non-recurring	-	-	-	-	-	-
Expenditures Fund	1,130	1,130	1,384	1,550	1,758	6,952
Total Funding Sources	\$ 7,129	\$ 35,588	\$ 13,281	\$ 12,075	\$ 6,822	\$ 74,895

Note: The above is based on the Town Council's approved Five Year Capital Plan for Fiscal Years 2011 through 2015.

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Pension Programs

The Town of Cheshire contributes to three single-employer, contributory, defined benefit pension plans, the Town, Police, and Volunteer Firefighter Pension Plans. All full-time Town employees, with the exception of certificated teachers, certificated school administrators, and policemen can participate in the Town Plan. All Town police officers are covered by the Police Plan. Volunteer Firefighters are covered by the Volunteer Firefighter Plan. Certificated teachers and certificated school administrators contribute to the Connecticut State Teachers' Retirement System which does not require Town funding.

At June 30, 2008, the actuarial value of assets exceeded the actuarial accrued liabilities for both the Town Plan and the Police Plan and were over-funded by 113% and 102%, respectively. Cheshire's pension contributions and valuations are actuarially determined based on the following assumptions: (a) rate of return on the investment of present and future assets of 8.5 percent per year compounded annually, and (b) projected salary increases range from 4% to 6.5% for the Town Plan and 3.5% to 9.0% for the Police Plan, and (c) no post-retirement benefit increases for the Town Plan and (d) cost of living adjustment of 2.75% per year subsequent to 7/1/2004 for certain eligible participants of the Police Plan. As of July 1, 2008, there were 705 members in the Town's three plans with 172 retirees receiving benefits, 53 terminated employees entitled to benefits at a future date, and 480 active plan members. Employees must have ten years of continuous service to be 100% vested.

All teachers and certificated administrators employed by the Town of Cheshire participate in the State of Connecticut Teachers' Retirement System under Section 10-183 of the General Statutes of the State of Connecticut. Participation in the system is required for all certified teachers in the State who are employed for at least an average of half-time. Teachers are 100% vested after completing ten years of Connecticut teaching service, the last five of which must have been consecutive, if leaving Connecticut public school service before age 60. The State of Connecticut makes contributions to the system on behalf of the Town's certified teachers based on an actuarial study performed utilizing the total payroll of covered teachers in the State. For the year ended June 30, 2008 the contribution allocable to the Town was estimated to be \$4,144,000 and has been recognized as both a revenue and an expenditure in the general fund on a GAAP basis. Teachers contribute 7% of their annual salaries to the retirement system; neither the Board of Education nor the Town has a legal obligation to contribute to it.

Other Post Employment Benefits

The Town provides other postemployment benefits (OPEB), including health and life insurance benefits, for certain retired employees. Police, other Town employees, and teachers are provided benefits when they retire if they meet their contractual eligibility requirements. A brief description of the benefits follows:

The Town administers one OPEB trust for police personnel and their spouses. As of July 1, 2009, this plan was 12% funded with actuarial assets valued at \$854,402 and actuarial accrued liabilities valued at \$6,919,837. As of June 30, 2010, this plan had a net OPEB obligation of \$1,118,532.

Town employees, other than Police, are provided a subsidy ranging from \$2,000 to \$2,500 towards health insurance coverage for up to five years or until Medicare eligible. In addition, health and life insurance has been provided to some early retirees for a limited duration. The Town pays for these benefits on a pay-as-you-go basis. The unfunded actuarial accrued liability at July 1, 2009, was \$1,573,885. As of June 30, 2010, this plan had a net OPEB asset of \$114,347.

Teachers are allowed to continue participating in the Town's health insurance program after retirement until Medicare eligible, but must reimburse the Town for premiums paid on their behalf. Since the premiums are based on a pool of current and retired employees, and not retiree specific, the Town incurs an implicit rate subsidy in providing these benefits. The Town subsidizes these benefits on a pay-as-you-go basis. The unfunded actuarial accrued liability at July 1, 2009, was \$19,171,528. As of June 30, 2010, this plan had a net OPEB obligation of \$1,345,604.

For more information, please refer to Note #9 – Other Post Employment Benefits and Note #10 – Post-Employment Healthcare Plan in the Notes to the Financial Statements included as Appendix A herein.

Compensated Absences

Employees may accumulate a limited amount of vested vacation and sick leave. At the end of the fiscal year 2010, the accumulated value was \$2,120,471. The Town and Board of Education were also liable for early retirement contracts totaling \$347,773.

Risk Management

The Town is exposed to various risks of loss relating to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all risks of loss, including blanket and umbrella policies, except for self-insured medical benefits provided under two of its three health insurance plans, prescription drug plan, dental plans, and workers' compensation covered under a public entity risk pool. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from coverage in the prior year.

The Town established an internal service fund, the Health Insurance Fund, to account for and finance employee medical benefits claims for eligible employees of both the Town and Board of Education. The Town retains the risk of loss under two of the three medical plans it offers, along with dental and prescription drugs. The risk of loss is retained by the insurance provider under a third plan.

A third party processes the claims filed under both the insured and the self-insured health plans, for which the General Fund is charged an administrative fee. The General Fund also pays for a stop-loss policy for individual claims exceeding \$150,000 for the self-insured health plan. IBNR is accrued for in the Health Insurance Fund. The Town pays for claims in any one year of up to 110% of expected claims. Any excess claims are payable ratably over the following year.

The Town established another internal service fund, Heart & Hypertension, to account for the financing of heart and hypertension claims. Payments to the Health Insurance Fund are based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. For the Heart & Hypertension Fund, payments to the fund are based upon estimates of claim reserves necessary to pay annual commitments as well as future claims. The claims liability for the Health Insurance Fund and Heart & Hypertension Fund, respectively, reported in the fund at June 30, 2010, is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claims accrual is based on the ultimate costs of settling the claims, which includes past experience data, inflation and other future economic and societal factors and incremental claims adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a, et. Seq., of Connecticut General Statutes, for workers' compensation coverage.

Investments

Town policy for eligible investments are governed by State of Connecticut Statutes which, in general, allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the Capital Nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Town has an investment policy for its pension funds providing an asset allocation average, over a full market cycle, of approximately 70% equities (or equivalents) and 30% fixed income and cash (or equivalents). For purposes of the policy, a full market cycle is defined by the Board to be no less than three years, or more than seven years. However, within a market cycle, Plan allocation should not exceed the following parameters:

	Target	Range
A. Cash and short term investments	5%	0% - 20%
B. Equity securities	70%	45% - 80%
C. Fixed Income securities	30%	20% - 60%
D. Alternative Strategies (as equivalents for above) ..	15%	0% - 20%

The investment policy for the Police Postemployment Healthcare Fund provides for an asset allocation average, over a full market cycle, of approximately 70% in equities (or equivalents) and 30% in fixed income and cash (or equivalents). However, within a market cycle, Plan allocation should not exceed the following parameters:

	Target	Range
A. Fixed income, cash and equivalents	30%	20% - 40%
B. Equity securities	70%	20% - 80%
C. Alternative Strategies (as equivalents for above) ..	-	0% - 20%

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VII. Legal and Other Information

Litigation

Following consultation with the Town Attorney, Dwight A. Johnson of Hartford, Connecticut, and other attorneys providing legal services to the Town, Town officials advise that the Town of Cheshire, Connecticut, its officers, employees, boards and commissions are named defendants in a number of lawsuits. Subject to the following paragraph, it is the Town Attorney's 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.

The Town is a defendant in two lawsuits brought in the Connecticut courts, *Baker v. Town of Cheshire, S.C. No. 18644*, and *Ugrin v. Town of Cheshire, S.C. No. 18643*, both of which are putative class actions. The plaintiffs claim damages and seek remediation of their properties due to the alleged failure of the Town to warn the plaintiffs of long-abandoned 19th Century underground mining operations conducted in the Town. The plaintiffs claim that a municipality can be found liable in negligence for failure to warn of the mines and for nuisance for mines it did not create. The Superior Court rejected these theories in these cases, and held that the Town did not violate the Connecticut Unfair Trade Practices Act ("CUTPA") because it did not engage in "trade or commerce." Although the plaintiffs appealed the decisions of the Superior Court, they have chosen not to pursue their appeals as to the CUTPA claims. The Town intends to vigorously defend the remaining portions of the Superior Court's decisions. Although the ultimate disposition of these lawsuits is uncertain, it is the Town Attorney's opinion that it is unlikely that the lawsuits will ultimately result in judgments against the Town that would materially adversely affect its financial condition. If adverse decisions were entered against the Town, the Town would expect to issue bonds to finance any monetary damages in excess of its insurance coverage.

Transcript and Closing Documents

The winning bidder will be furnished the following documents when the Bonds are delivered:

1. Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town of Cheshire, Connecticut signed by the Town Manager and the Director of Finance & Treasurer, which will be dated the date of delivery, and attached to a signed copy of the Official Statement, certifying that, to the best of said officials' knowledge and belief, at the time bids on the Bonds were accepted, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut in substantially the form attached as Appendix B to this Official Statement.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached as Appendix C to this Official Statement.

The Town of Cheshire has prepared an Official Statement for the Bonds, which is dated February 8, 2011. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(5), but it is subject to revision or amendment. The Town will make available to the winning bidder of the Bonds 100 copies of the Official Statement at the Town's expense within seven business days of the bid opening. Additional copies may be obtained by the original purchaser at its own expense by arrangement with the printer.

A transcript of the proceedings taken by the Town will be kept on file at the offices of U.S. Bank National Association in Hartford, Connecticut and will be available for examination upon reasonable notice.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representation of fact, and no representation is made that any of such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provision of law are subject to repeal or amendment.

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

Additional information may be obtained from Patti-Lynn Ryan, Director of Finance & Treasurer, Town of Cheshire, 84 South Main Street, Cheshire, Connecticut 06410, and telephone number (203) 271-6610. This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF CHESHIRE, CONNECTICUT

Michael A. Milone, *Town Manager*

Patti-Lynn Ryan, *Director of Finance & Treasurer*

Dated: February __, 2011

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Appendix A

2010 Basic Financial Statements

The following includes the Basic Financial Statements of the Town of Cheshire, Connecticut for the fiscal year ended June 30, 2010. The supplemental data, which was a part of that report, has not been reproduced herein. A copy of the complete report is available upon request from Matthew Spoerndle, Managing Director, Phoenix Advisors LLC, 53 River Street, Suite 3, Milford, Connecticut 06460. Telephone (203) 878-4945.

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Town Council
Town of Cheshire, 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 Cheshire, Connecticut (the "Town") as of and for the year ended June 30, 2010, 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'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Cheshire, Connecticut as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable thereof and the budgetary information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated January 28, 2011 on our consideration of the Town of Cheshire, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

The management discussion and analysis, the schedules of funding progress and schedules of employer contributions for the pension plans and other post employment benefit plans, 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 of Cheshire, Connecticut's basic financial statements. The introductory section, budgetary details, combining and individual fund statements, capital asset schedules, other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual fund statements, capital asset schedules, and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 28, 2011

Town of Cheshire, Connecticut

Management's Discussion and Analysis

June 30, 2010

As management of the Town of Cheshire, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the Town's basic financial statements that follow this section.

To better understand the Town's financial activities, an overview of how the financial statements are presented in this book and the differences between the various financial statements are discussed below:

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a summary of the Town's finances, on a full accrual basis, taking in to account both long-term assets and liabilities.

The Statement of Net Assets, or commonly known as the balance sheet, presents information on all Town assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town into two categories: those that are principally supported by taxes and intergovernmental revenues or governmental activities and those that are intended to recover all or a significant portion of their costs through user fees and charges or business-type activities. The governmental activities of the Town include administration and finance, planning and development, public safety, public works, public health, social services, cultural services, leisure services and education. Although the Town has no business type activities, the Town does maintain two internal service funds: the Health Insurance Fund and the Heart and Hypertension Fund, which are considered proprietary funds.

It is important to note that fiduciary funds are not presented in the government-wide statements as their assets cannot be used for Town operations and the Town is simply a conduit for these funds.

The government-wide financial statements can be found on pages **13-14** of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund or modified

accrual accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Therefore long-term liabilities and capital assets are not presented.

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

The Town maintains 22 individual governmental funds that are grouped into either major or non-major funds. The information for the major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Town's two major funds are the General Fund and the CRRF Fund. The other 20 funds are non-major and are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Supplemental and Combining Nonmajor Fund Statements and Schedules section of this report.

The Town adopts an annual budget for its General Fund, Water Pollution Control, and Community Pool funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their adopted budget.

The basic governmental fund financial statements can be found on pages **15-20** of this report.

Proprietary funds. The Town maintains one type of proprietary fund, internal service funds. Internal service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its self-insured medical benefits and heart and hypertension payments. Individual fund data for the internal service funds is provided in the form of combining statements in the Supplemental and Combining Nonmajor Fund Statements and Schedules section of this report. Because both of these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages **21-23** of this report.

Fiduciary funds. The Town has three types of fiduciary funds: pension trust funds, agency funds which include student activity funds and performance bonds, and private purpose trust funds, which consist of Board of Education scholarship funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not available to support the Town's own programs. Therefore, these funds do not appear in the government-wide financial statements and appear separately in the fund financial statements.

The basic fiduciary fund financial statements can be found on pages **24-25** of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages **26-59** of this report.

Required Supplementary Information presents the Town's progress in funding its obligation to provide pension and other postemployment benefits to employees. Required Supplementary Information for pensions and other postemployment benefits can be found on pages **46-56** of this report.

Supplemental and combining nonmajor fund statements and schedules showing detail for nonmajor governmental funds, internal service funds, fiduciary funds and capital assets are presented on pages **65-97** of this report.

Financial Highlights-Government Wide Financial Statements

- The net assets of the Town increased by \$6.6 million and exceeded its liabilities by \$115.0 million. \$16.3 million of this balance may be used to meet the government's ongoing obligations to citizens and creditors. Restricted assets consist of \$98.4 million invested in capital assets and \$.178 in non expendable endowments.
- Cheshire's increase in net assets is due mainly to a decrease in bonds and notes payable of \$7.8 million, a \$6.5 million decrease in unearned tax and grant revenue, an increase in capital assets of \$1.1 million, and an offsetting \$5.1 million decrease in cash and investments.
- Revenues decreased by \$.5 million due to an increase of tax revenues of \$2 million, charges for services of \$.4 million, capital grants and contributions of \$.3 million, offset by a \$3.1 million decrease in grants and contributions not restricted to specific programs. Grants and contribution not restricted to specific programs decreased by \$3.1 million due to a \$1.8 million decrease in payments-in-lieu-of-taxes (PILOT) grants and \$1.3 million decrease in funds received from the closure of a regional solid waste project.
- Interest of long-term debt decreased by \$.329 million due to a reduction of general obligation bonds and notes outstanding during the year.

Financial Highlights - Fund Financial Statements

- As of the close of the current fiscal year, the overall net decrease in fund balance for governmental funds is \$4.2 million resulting in an ending fund balance of \$20.2 million. This was mostly due to a \$3.3 million decrease in capital project fund balances due to ongoing expenditures for various projects and a \$.5 million decrease in the Debt Service Fund balance.
- The year-end fund balance for the General Fund totals \$10.6 million of which \$8.5 million is undesignated and unreserved, or 8.74% of operating expenditures, and relatively consistent with the prior year.
- The General Fund designated fund balance of \$.600 is for property tax relief for the 2011 operating budget.
- General Fund debt service has decreased to 10.1% of General Fund operating expenditures, from 10.6% in the previous year. Based on the adopted 2011 capital expenditure plan, debt service is expected to continue to decrease over the next 10 years.
- During the difficult economic environment in 2010, the General Fund balance increased by \$.2 million, generated by a high tax collection rate of 99.7% and freezing expenditures for some capital nonrecurring projects.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$115.0 million at the close of the most recent fiscal year.

		Town of Cheshire	
		Net Assets	
		Governmental Activities	
		June 30, 2010 and 2009	
		2010	2009
Current and other assets		\$ 38,382,363	\$ 42,615,775
Capital assets		159,519,955	158,377,045
Total Assets		197,902,318	200,992,820
Current liabilities		19,433,003	22,211,789
Long-term liabilities		63,514,248	70,431,936
Total Liabilities		82,947,251	92,643,725
Net assets:			
Invested in capital assets, net of related debt		98,447,456	90,671,138
Restricted		178,620	178,620
Unrestricted		16,328,991	17,499,337
Total Net Assets		\$ 114,955,067	\$ 108,349,095

The amount invested in capital assets, e.g. land, buildings, machinery and equipment, and infrastructure, net of related debt to acquire these assets, represents 85.6%, or \$98.4 million of the Town's net assets. These assets are used to provide services to Town citizens; and, it should be noted that these assets are not available for future spending. While the amount invested in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Invested in Capital Assets, Net of Related Debt is calculated as follows:

Capital Assets, Net of Depreciation	\$ 159,519,955
Less: Related Debt	(63,484,576)
Bond Premium/Loss	311,215
Unspent Bond Proceeds	2,100,862
	<hr/>
Invested in Capital, Net of Related Debt	\$ 98,447,456

A small portion of the Town's net assets, \$.179 million, represents resources that are subject to external restrictions on how they may be used.

The remaining balance, unrestricted net assets of \$16.3 million, may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets.

**Town of Cheshire
Changes in Net Assets**

Governmental Activities			
Years Ended June 30, 2010 and 2009			
	2010	2009	% Change
Revenues:			
Program Revenues:			
Charges for services	\$ 7,016,360	\$ 6,583,500	6.57%
Operating grants and contributions	17,621,895	17,649,409	-0.16%
Capital grants and contributions	863,715	526,461	64.06%
General Revenues:			
Property taxes	73,506,598	71,485,546	2.83%
Grants and contributions not restricted to specific programs	7,409,368	10,511,051	-29.51%
Investment income and other	375,337	572,372	-34.42%
Total revenues	106,793,273	107,328,339	-0.50%
Expenses:			
Administration & Finance	4,912,595	5,363,330	-8.40%
Planning and Development	908,439	690,803	31.50%
Public Safety	8,741,106	8,342,318	4.78%
Public Works	9,793,719	9,559,787	2.45%
Public Health	425,381	422,450	0.69%
Social Services	1,170,048	1,190,674	-1.73%
Culture Services	2,276,643	2,281,755	-0.22%
Leisure Services	2,505,052	2,456,307	1.98%
Education	67,031,645	68,700,736	-2.43%
Interest on long-term debt	2,422,673	2,751,344	-11.95%
Total expenses	100,187,301	101,759,504	-1.55%
Change in net assets	6,605,972	5,568,835	
Net Assets, beginning	108,349,095	102,780,260	
Net Assets, ending	\$ 114,955,067	\$ 108,349,095	

Governmental activities. Governmental activities increased the Town's net assets by \$6.6 million.

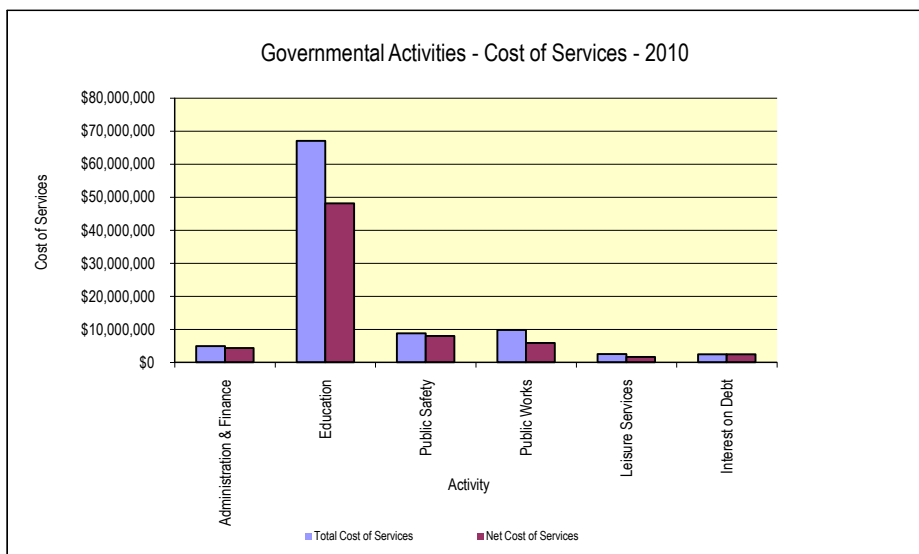
Major revenue factors include:

- Grants and contributions not restricted to specific programs decreased by \$3.1 million due mainly to a \$1.8 million reduction in PILOT grants and a \$1.3 million reduction in funds received from the closure of a regional solid waste project.
- Property taxes increased by \$2.0 million over the prior year due to increases in the mill rate, grand list and pro-active tax collections.
- Charges for services and capital grants and contributions also increased, by \$.4 million and \$.3 million, respectively.

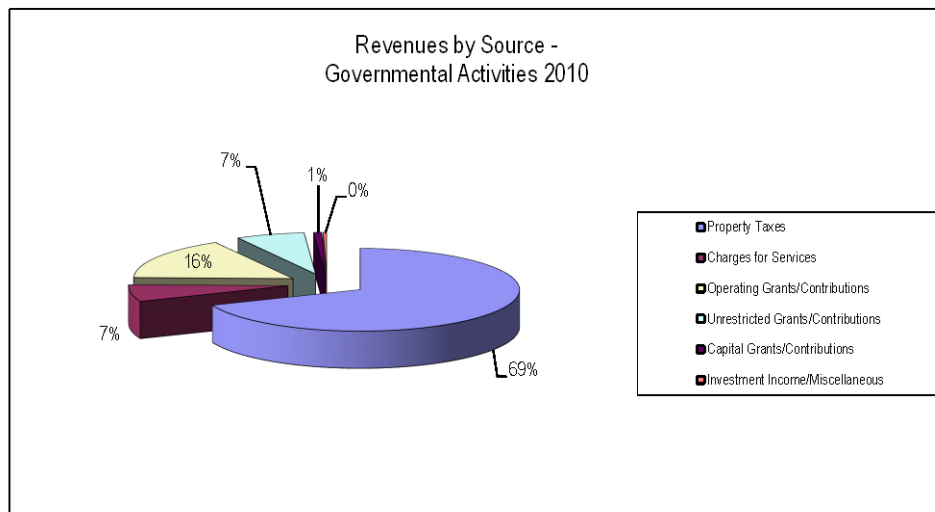
Major expenditure factors include:

- Overall, expenses decreased by \$1.6 million. Most notably, education expenses decreased by \$1.7 million in part due to a \$.61 million increase in capital asset disbursements and a \$.23 reduction in education grant program revenues.
- Expenses decreased overall by \$1.6 million due to the adoption of a zero-increase budget for fiscal year 2010.
- Interest of long-term debt decreased by \$.329 million due to a reduction of general obligation bonds and notes outstanding during the year.

The chart below presents the costs of six of the Town's major governmental activities as well as their 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.



The chart below represents all Town revenues by source.



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund or modified accrual accounting to demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$20.2 million, a decrease of \$4.2 million in comparison with the prior year. \$11.4 million or 56.4% of this total amount constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remaining fund balance of \$8.8 million is reserved or designated and is not available for new spending and has been committed for the following: 1) \$3.0 million to liquidate contracts and purchase orders of the prior period, as well as for capital improvements, 2) \$1.3 million to pay debt service, 3) \$.178 million for permanently restricted endowments 4) \$.002 million for pension contribution reserves and 5) \$.836 million designated for the 2010 operating budgets, and 6) \$3.491 million designated in the CRRA fund for debt service, and Heart and Hypertension, other post-employment benefits, payroll and pension reserves.

General Fund.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund is \$8.5 million while total fund balance is \$10.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 9.2% of total General Fund budgetary expenditures, while total fund balance represents 11.5% of that same amount.

The net increase in the General Fund's fund balance is \$.2 million as of June 30, 2010. Key contributing factors include a high tax collection rate of 99.7% and freezing expenditures for some capital nonrecurring projects.

CRRA Fund.

The CRRA fund balance remained as \$3.5 million. These funds resulted from the close-out of reserves that accumulated during a twenty-year regional solid waste project. Supplementing the first installment of \$3.5 million is a receivable of \$2.1 million. The total balance of the fund has been designated for various reserve accounts to help mitigate long-term liabilities. A total of \$5.625 million was appropriated during the 2011 budget process for various reserve accounts to mitigate long-term liabilities: \$3.625 million for debt service, and \$.5 million each for heart and hypertension, other postemployment benefits, payroll and pension reserves.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2010, amounts to \$159.5 million. This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following: Construction in progress decreased by \$2.0 million mainly due to the completion of several projects. Buildings and improvements of \$3.8 million were placed in service during the year and included \$.756 million for the Lilac Drive pump station, \$.511 million for the Humiston School code compliance, \$.277 million for the Cheshire High School elevator replacement, \$.231 million for the Darcy School roof replacement, and .309 million for energy improvements at Norton School. Infrastructure improvements of \$2.2 million consisted mostly of road paving.

Town of Cheshire, Capital Assets Net of Accumulated Depreciation

	Governmental Activities	
	June 30,	
	2010	2009
Land	\$ 20,579,622	\$ 20,410,977
Building and improvements	75,367,424	73,654,489
Land Improvements	2,375,890	2,298,309
Machinery and equipment	3,564,093	2,955,598
Motor vehicles	4,422,252	4,890,446
Infrastructure	51,159,785	50,080,480
Construction in progress	2,050,889	4,086,746
Total	\$ 159,519,955	\$ 158,377,045

Additional information on the Town's capital assets can be found in note 6 on page **41** of this report, and in the Capital Assets Used in Operations section on pages **95-97**.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding, net of amortized premium/deferred loss on refunding, of \$63.2 million. The Town issued refunding bonds of \$8.660 million during fiscal 2010 and retired \$8.0 million in debt, resulting in a decrease in debt outstanding of 11.0% over the prior year.

The Town maintains an "Aa1" rating from Moody's Investors Service and maintains an "AAA" from Fitch Ratings for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections including interest and lien fees and the Tax Relief for Elderly Freeze grant. The current debt limitation for the Town is \$513.0 million. The Town had debt issues outstanding that were \$63.5 million, or 12.4% of the total debt limitation.

Additional information on the Town's long-term debt can be found in disclosure Note 7 on pages **42-45** of this report.

Economic Factors and Next Year's Budgets and Rates

Median household income was \$ 101,392 and per capita income was \$ 46,176 in 2010. Inflationary trends in the region were approximately 3.0% for calendar 2010. During the fiscal year ended June 30 2010, unreserved fund balance in the General Fund remained constant at \$8.5 million. These factors were among those considered in preparing the Town's budget for the 2011 fiscal year.

The 2011 General Fund budget increased by a mere 1.12%, or \$1.056 million, in consideration of the economic downturn.

The Water Pollution Control Authority's rates were increased by \$20 to \$335 for the 2011 budget year.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director/Treasurer, Patti-Lynn Ryan, Town of Cheshire, 84 South Main Street, Cheshire, CT 06410.

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Basic Financial Statements

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 25,567,874
Investments	5,358,000
Restricted cash	78,361
Restricted investments	726,654
Receivables, net of allowance for collection losses:	
Property taxes	287,396
Assessments and user charges	794,556
Intergovernmental	791,249
Other	2,452,385
Deferred charges	38,833
Other asset	229,964
Total current assets	36,325,272
Noncurrent assets:	
Capital assets not being depreciated	22,630,511
Capital assets being depreciated, net of accumulated depreciation	136,889,444
Other postemployment benefit asset	114,347
Intergovernmental receivables	1,520,938
Total noncurrent assets	161,155,240
Deferred charges	421,806
Total assets	197,902,318
Liabilities	
Current liabilities:	
Accounts payable	2,627,774
Accrued payroll	5,771,870
Accrued interest payable	735,693
Unearned revenue	1,527,104
Total current liabilities	10,662,441
Noncurrent liabilities:	
Due in less than one year	8,770,562
Due in more than one year	63,514,248
Total noncurrent liabilities	72,284,810
Total liabilities	82,947,251
Net Assets	
Investment in capital assets, net of related debt	98,447,456
Restricted for:	
Nonexpendable	178,620
Unrestricted	16,328,991
Total net assets	\$ 114,955,067

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

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Change in
			Contributions	Contributions	Net Assets
					Primary
					Government
					Total
Primary government:					
Governmental activities:					
Administration and finance	\$ (4,912,595)	\$ 570,973	\$ 10,844	\$ -	\$ (4,330,778)
Planning and development	(908,439)	21,941	198	-	(886,300)
Public safety	(8,741,106)	388,119	367,103	-	(7,985,884)
Public works	(9,793,719)	2,852,935	484,225	638,130	(5,818,429)
Public health	(425,381)	-	-	-	(425,381)
Social services	(1,170,048)	25,310	95,912	-	(1,048,826)
Cultural services	(2,276,643)	140,918	22,765	-	(2,112,960)
Leisure services	(2,505,052)	894,124	13,458	13,808	(1,583,662)
Education	(67,031,645)	2,122,040	16,627,390	211,777	(48,070,438)
Interest on long-term debt	(2,422,673)	-	-	-	(2,422,673)
Total primary government	\$ (100,187,301)	\$ 7,016,360	\$ 17,621,895	\$ 863,715	(74,685,331)
General revenues:					
Property taxes					\$ 73,506,598
Grants and contributions not restricted to specific programs					7,409,368
Investment income					185,428
Miscellaneous					189,909
Total general revenues					81,291,303
Change in net assets					6,605,972
Net assets - beginning					108,349,095
Net assets - ending					\$ 114,955,067

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

TOWN OF CHESHIRE, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	Major Funds		Nonmajor	Total
	General	CRRA	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash and cash equivalents	\$ 12,736,983	\$ 3,491,034	\$ 6,061,055	\$ 22,289,072
Receivables (net of allowances for collection losses):				
Property taxes	287,396	-	-	287,396
Assessments and user charges	-	-	794,556	794,556
Intergovernmental	2,077,544	-	234,643	2,312,187
Other	188,576	2,144,996	13,449	2,347,021
Due from other funds	3,936	-	-	3,936
Other assets	75,162	-	-	75,162
Inventory	-	-	25,280	25,280
Prepays	129,522	-	-	129,522
Investments	5,358,000	-	726,654	6,084,654
Total assets	\$ 20,857,119	\$ 5,636,030	\$ 7,855,637	\$ 34,348,786
Liabilities				
Accounts payable	\$ 1,217,114	\$ -	\$ 685,958	\$ 1,903,072
Accrued payroll	5,362,517	-	45,162	5,407,679
Deferred revenue	2,323,214	2,144,996	794,297	5,262,507
Unearned revenues	1,319,644	-	207,460	1,527,104
Due to other funds	-	-	3,936	3,936
Total liabilities	10,222,489	2,144,996	1,736,813	14,104,298
Fund balances				
Reserved for:				
Encumbrances	1,430,178	-	1,544,442	2,974,620
Debt service	-	-	1,267,526	1,267,526
Pension contributions	-	-	2,560	2,560
Endowments	-	-	178,620	178,620
Prepays	129,522	-	-	129,522
Unreserved, designated for:				
Subsequent year's budget	600,000	-	236,130	836,130
Subsequent year's appropriations	-	3,491,034	-	3,491,034
Unreserved, undesignated, reported in:				
General Fund	8,474,930	-	-	8,474,930
Special revenue funds	-	-	1,318,591	1,318,591
Capital projects funds	-	-	927,479	927,479
Permanent funds	-	-	643,476	643,476
Total fund balances	10,634,630	3,491,034	6,118,824	20,244,488
Total liabilities and fund balances	\$ 20,857,119	\$ 5,636,030	\$ 7,855,637	\$ 34,348,786

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

TOWN OF CHESHIRE, CONNECTICUT

RECONCILIATION OF FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2010

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

Total fund balance (Page 15)	\$ 20,244,488
Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net assets includes those capital assets among the assets of the Town as a whole.	159,519,955
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Deferred revenues - school building grants	1,997,419
Deferred revenues - other	3,265,088
Bond issue costs	460,639
Other postemployment benefit asset	114,347
Internal service funds are used by management to charge the cost of medical insurance to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	(12,567)
Some 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	(63,484,576)
Pension liability	(684,677)
Other postemployment benefit obligation	(2,464,136)
Deferred Gain on Refunding	1,644,070
Bond premium	(1,332,855)
Accrued Payroll	(364,191)
Accrued interest payable	(735,693)
Landfill accrual	(744,000)
Compensated Absences	(2,120,471)
Early Retirement	(347,773)
Net Assets of Governmental Activities (Page 13)	\$ 114,955,067

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

TOWN OF CHESHIRE, CONNECTICUT

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

For the Year Ended June 30, 2010

	Major Funds		Nonmajor	Total
	General	CRRA	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 73,420,198	\$ -	\$ -	\$ 73,420,198
Intergovernmental	20,817,817	-	2,822,471	23,640,288
Income from investments	150,618	16,749	37,974	205,341
Charges for services	1,993,783	-	5,225,090	7,218,873
Net decrease in fair value of investments	-	-	(28,531)	(28,531)
Contributions	-	-	368,469	368,469
Other	137,363	-	52,546	189,909
Total revenues	96,519,779	16,749	8,478,019	105,014,547
EXPENDITURES				
Current:				
Administration and finance	8,906,979	-	14,192	8,921,171
Planning and development	486,774	-	5,594	492,368
Public safety	5,464,447	-	280,030	5,744,477
Public works	4,911,737	-	2,069,078	6,980,815
Public health	425,381	-	-	425,381
Social services	692,322	-	70,422	762,744
Cultural services	1,553,875	-	36,029	1,589,904
Leisure services	1,189,158	-	910,591	2,099,749
Education	63,459,814	-	3,318,240	66,778,054
Debt service	9,808,890	-	906,151	10,715,041
Capital outlay	-	-	4,812,838	4,812,838
Total expenditures	96,899,377	-	12,423,165	109,322,542
Revenues over (under) expenditures	(379,598)	16,749	(3,945,146)	(4,307,995)
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	8,660,000	-	-	8,660,000
Premiums on bonds issued	694,571	-	-	694,571
Payment made to escrow	(9,228,114)	-	-	(9,228,114)
Transfers in	1,453,185	-	1,034,959	2,488,144
Transfers out	(1,034,959)	-	(1,453,185)	(2,488,144)
Total other financing sources (uses)	544,683	-	(418,226)	126,457
Change in fund balances	165,085	16,749	(4,363,372)	(4,181,538)
FUND BALANCES, beginning	10,469,545	3,474,285	10,482,196	24,426,026
FUND BALANCES, ending	\$ 10,634,630	\$ 3,491,034	\$ 6,118,824	\$ 20,244,488

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

TOWN OF CHESHIRE, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds (Page 17)	<u>\$ (4,181,538)</u>
--	-----------------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	5,202,562
Depreciation expense	<u>(4,048,546)</u>
Total	<u>1,154,016</u>

Change in other postemployment benefit asset	<u>114,347</u>
--	----------------

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

	<u>(11,106)</u>
--	-----------------

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

School building grants	(482,303)
Other grants	2,144,996
Decrease in property tax, sewer use and sewer and water assessment interest and lien revenue	<u>(116,113)</u>
Total	<u>1,546,580</u>

(Continued)

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

TOWN OF CHESHIRE, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES, Continued
For the Year Ended June 30, 2010**

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

Debt issued or incurred:	
Bond proceeds	(8,660,000)
Bond premium	(625,267)
Bond issue costs	(38,833)
Deferred gain	396,024
Principal repayments:	
Advanced refunding	8,715,000
General obligation bonds	7,998,028
Total	<u>7,784,952</u>

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

Compensated absences	49,605
Early retirement	138,528
Landfill closure	48,000
Net pension obligation	15,342
Other postemployment benefit obligation	(988,076)
Accrued payroll	43,274
Accrued interest payable	260,069
Total	<u>(433,258)</u>

The net revenue of the activities of the Internal Service Fund is reported with governmental activities

631,979

Change in Net Assets of Governmental Activities (Page 14)

\$ 6,605,972

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED
 FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2010

	Original	Revised Final	Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes, interest and lien fees	\$ 73,207,076	\$ 73,207,076	\$ 73,420,198	\$ 213,122
Charges for services	1,934,604	1,934,604	1,993,783	59,179
Intergovernmental	16,302,738	16,302,738	16,257,817	(44,921)
Interest and dividend income	437,000	437,000	150,618	(286,382)
Other local income	115,357	115,357	137,363	22,006
Total revenues	91,996,775	91,996,775	91,959,779	(36,996)
EXPENDITURES				
Current:				
Administration and finance	8,627,590	9,095,390	8,955,484	139,906
Planning and development	526,311	526,311	484,687	41,624
Public safety	5,620,968	5,620,968	5,449,309	171,659
Public works	4,917,259	4,917,259	4,856,735	60,524
Public health	431,362	431,362	425,381	5,981
Social services	717,326	717,326	693,140	24,186
Cultural services	1,558,121	1,558,321	1,556,679	1,642
Leisure services	1,186,882	1,189,582	1,188,778	804
Education	59,279,563	59,450,563	59,224,275	226,288
Contingency	125,000	104,300	-	104,300
Debt service	9,830,000	9,830,000	9,688,000	142,000
Total expenditures	92,820,382	93,441,382	92,522,468	918,914
Revenues over (under) expenditures	(823,607)	(1,444,607)	(562,689)	881,918
OTHER FINANCING SOURCES (USES)				
Cancellation of prior year encumbrances	110,000	110,000	186,128	76,128
Transfers in	1,450,000	1,450,000	1,453,185	3,185
Transfers out	(1,504,392)	(1,054,392)	(1,029,392)	25,000
Net other financing sources	55,608	505,608	609,921	104,313
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses before utilization of fund balance	(767,999)	(938,999)	47,232	986,231
Utilization of Fund Balance	767,999	938,999	-	(938,999)
Excess of revenues and other financing sources over expenditures and other financing uses after utilization of fund balance	\$ -	\$ -	47,232	\$ 47,232
BUDGETARY FUND BALANCE, JULY 1, 2009			9,287,220	
BUDGETARY FUND BALANCE, JUNE 30, 2010			\$ 9,334,452	

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

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS

June 30, 2010

	Governmental Activities
	Internal Service Funds
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,357,163
Accounts receivable	105,364
Total assets	<u>3,462,527</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>1,122,793</u>
Noncurrent liabilities:	
Claims payable	<u>2,352,301</u>
Total liabilities	<u>3,475,094</u>
NET ASSETS (DEFICIT)	
Unrestricted	<u><u>\$ (12,567)</u></u>

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

TOWN OF CHESHIRE, CONNECTICUT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(DEFICITS) - PROPRIETARY FUNDS
For the Year Ended June 30, 2010**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 10,751,576
Total operating revenues	<u>10,751,576</u>
OPERATING EXPENSES	
Claims incurred	9,471,431
Administration	656,784
Total operating expenses	<u>10,128,215</u>
Operating income	623,361
NONOPERATING REVENUES	
Investment income	<u>8,618</u>
Change in net assets	631,979
NET ASSETS (DEFICITS), beginning	<u>(644,546)</u>
NET ASSETS (DEFICITS), ending	<u><u>\$ (12,567)</u></u>

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

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 11,085,094
Claims paid	(9,871,505)
Payments for administration	(656,784)
Net cash provided by operating activities	<u>556,805</u>
Cash Flows From Investing Activities	
Investment income	<u>8,618</u>
Net cash provided by investing activities	<u>8,618</u>
Net increase in cash and cash equivalents	565,423
Cash and Cash Equivalents	
Beginning	<u>2,791,740</u>
Ending	<u><u>\$ 3,357,163</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 623,361
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	333,518
Decrease in claims payable	(400,074)
Net cash provided by operating activities	<u><u>\$ 556,805</u></u>

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

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	Trust Funds	Agency Funds	Private Purpose Trust Funds
ASSETS			
Cash and cash equivalents	\$ 963,503	\$ 821,102	\$ 25,399
Investments, at fair value:			
Common stock	11,506,081	-	-
Private placements	125,840	-	-
Money market mutual funds	859,127	-	-
Fixed income mutual funds	15,173,907	-	-
Equity mutual funds	13,561,344	-	-
Alternative investments	9,199,321	-	-
Total investments	50,425,620	-	-
Total assets	51,389,123	821,102	25,399
LIABILITIES			
Accounts payable	-	821,102	-
Total liabilities	-	821,102	-
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	\$ 51,389,123	\$ -	\$ 25,399

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

TOWN OF CHESHIRE, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer	\$ 1,048,106	\$ -
Plan members	701,435	-
Total contributions	1,749,541	-
Investment Income		
Net appreciation in fair value of investments	5,509,655	-
Interest and dividends	1,159,129	277
	6,668,784	277
Less investment expenses:		
Investment management fees	251,674	-
Net investment income	6,417,110	277
Total additions	8,166,651	277
DEDUCTIONS		
Benefits and other	2,908,979	1,334
Changes in net assets	5,257,672	(1,057)
NET ASSETS		
Beginning of year	46,131,451	26,456
End of year	\$ 51,389,123	\$ 25,399

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

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS **June 30, 2010**

Note 1. Significant Accounting Policies

Reporting entity

The Town of Cheshire, Connecticut (the "Town"), was incorporated in 1780. The Town covers 33 square miles located in New Haven County.

The Town operates under a Council-Manager form of government, as prescribed by its Charter, which was adopted June 9, 1971, and most recently revised January 1, 1996. The Town provides a full range of services including general government, public safety, public works, health, social services, recreation and education. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the Governmental Accounting Standards Board Codification, Section 2100, have been considered and there are no agencies or entities, which should be presented with the Town.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Taxes and intergovernmental revenues normally support governmental activities.

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.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

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 proprietary fund and fiduciary fund financial statements. The Agency funds are reported using the accrual basis of accounting but do not have a measurement focus. 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 when levied for. 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 are generally recorded when a liability is incurred as under accrual accounting, however, debt service expenditures, pension, OPEB, early retirement, landfill, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenue when eligibility requirements are met, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the Town, or specifically identified.

The Town reports the following major governmental funds:

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

The *CRRA Fund* is used to account for funds distributed from the Connecticut Resource Recovery Authority, a five-town, trash-to-energy plant consortium, set aside for future expense.

Additionally, the Town reports the following fund types:

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Debt Service Fund is used to account for funds reserved for debt service.

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

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Internal Service Funds account for risk financing activities for medical insurance benefits and heart and hypertension claims under GASB Statement No. 10.

Pension Trust Funds account for the activities of the Cheshire Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Postemployment Health Care Fund accounts for the accumulation of resources to pay police retiree medical benefits.

Agency Funds account for monies held on behalf of students and amounts held for performance bonds.

The *Private Purpose Trust Fund* accounts for the activities of various scholarships administered by the Board of Education.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation, e.g. sewer usage charges. Interfund reimbursements are also not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Pension plan accounting

Pension Trust Funds:

The Pension Trust Funds are reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are paid by the Town.

Governmental Activities:

The net pension obligation, the cumulative difference between annual pension cost and the Town's contributions to the plan since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. Expenditures are recognized when they are paid or are expected to be paid with current available resources. The pension obligation is recorded as a non-current liability in the government-wide financial statements.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Funding Policy:

Plan contribution requirements and benefits are established by Town ordinances. The Town reserves the right by action of the Council to amend the plans, subject to provisions, if any, in collective bargaining agreements.

OPEB accounting

OPEB Trust:

The VEBA Trust Fund is reported on the accrual basis of accounting.

Employer contributions are recognized in the period in which the contributions are due, and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are paid by the Town.

In fiscal year 2009, the Town implemented GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.”* This pronouncement required the Town to calculate and record a net other postemployment benefit obligation (NOPEBO) at June 30, 2009. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008. The net other post-employment obligation (asset) is recorded as a non-current asset or liability in the government-wide financial statements. The Town makes annual contributions based upon management decisions using the actuarial valuation.

Accounting estimates

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

Encumbrances

Encumbrances represent commitments related to contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

Property taxes

Property taxes are assessed as of October 1 and levied on the following July 1st. Real estate taxes are generally due and payable in two installments on July 1 and January 1. Real estate taxes not in excess of \$100 and motor vehicle and personal property taxes are due and payable in one installment on July 1. Motor vehicle supplemental bills are due on January 1. Payments not received within one month after the

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued **June 30, 2010**

due date become delinquent, with interest charged at the rate of 1 ½% per month. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are recorded during the month of April.

Cash equivalents

The Town considers all certificates of deposit, money market accounts and highly liquid short-term investment funds with maturities of three months or less to be cash equivalents.

Allowance for doubtful accounts

Accounts and notes receivable for the government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history and analysis of creditor's ability to pay.

Investments

Investments are stated at fair value based on quoted market prices except as disclosed below. The pension funds allow for investments in certain alternative investments. Alternative investments include hedge funds for which there may be no readily available market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

Inventory

All inventory is for commodities held for resale, stated at the lower of cost or market and determined on a first-in, first-out basis. These commodities are recorded as expenditures when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, e.g. roads, bridges, sidewalks, and similar items, are reported in the governmental column in the government-wide financial statements. The government defines capital assets, as assets with an initial, individual cost of more than \$5,000 for equipment and improvements and all costs for infrastructure, and an estimated useful life in excess of one-year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

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.

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

Assets	Years
Buildings and improvements	8-100
Land improvements	10-50
Infrastructure:	
Roads	6-50
Sidewalks	50
Sewer lines	75
Bridges and culverts	50
Machinery and equipment	3-50
Vehicles	3-25

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

Compensated absences

Town

All employees are granted vacation and/or sick time based upon contractual provisions. At anniversary year-end, unused vacation up to a maximum of 10 days may be carried forward to the next vacation year with the approval of the Town Manager. Sick time accumulates and vests based upon a sliding scale related to years of service. The maximum sick time to be paid is 33% of the accumulated time. The liability for the accrued vacation and/or sick time earned is reported in the government-wide statements. In the governmental funds, the amounts are reported when paid or when payment is due.

Board of Education

All full-time employees, except teachers, are granted vacation time based upon contractual provisions. At anniversary year-end, unused vacation may be accrued. Sick time accumulates subject to various contractual limitations, but retirement payouts are generally limited to 10 days. The liability for the accrued vacation and/or sick time earned is reported in the government-wide statements. In the governmental funds, the amounts are reported when paid or when payment is due.

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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred gains/losses on refundings. 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. Bond principal payments are recorded as expenditures. 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 project expenditures.

Fund equity and net assets

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.

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets - This category represents the net assets of the Town, which are restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets - This category represents the net assets of the Town, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The categories, and their general meanings, are as follows:

Reserved fund balance – indicates that portion of fund equity that is not available for appropriation or which has been legally segregated for specific purposes.

Unreserved/Designated fund balance – indicates that portion of fund equity for which the Town has made tentative plans.

Unreserved/undesignated fund balance – indicates that portion of fund equity which is available for appropriation and expenditure in future periods, or if a deficit, for which future funding will be required.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Note 2. Budgets and Budgetary Accounting

The Town's budget policies for the General Fund, the Water Pollution Control Fund, and the Cheshire Community Pool Fund are as follows:

- A. Each department, office, board or commission of the Town, including the Board of Education, shall submit to the Town Manager a detailed estimate of the expenditures and anticipated revenues by February 15.
- B. On or before March 10, the Town Manager submits a balanced budget and budget message to the Town Council based upon requests submitted by the various Town departments.
- C. By April 7, the Town Council submits the proposed operating budget to one or more public hearings, at which taxpayer comments are obtained. The budget includes proposed expenditures and the means of financing them. By April 17, the Town council must adopt an operating budget and fix a tax rate in mills and shall file it with the Town Clerk by April 27.
- D. The budget adopted by the Town Council is subject to one referendum by petition of at least 10% of the registered electors. The petition must be filed by May 11, and the Council must hold a referendum no later than June 20.
- E. The legal level of control for the General Fund, the level at which expenditures may not exceed appropriations, is at the department level within a function that includes departments, offices, projects, sub-functions, boards and commissions as prescribed by the Town Charter. The legal level of control is at the fund level for the Water Pollution Control Fund and the Cheshire Community Pool Fund.
- F. Management is not authorized to make budgetary transfers. The Town Council, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another. Additional appropriations up to \$175,000 may be approved by the Council following a public hearing. Those in excess of \$350,000 may be approved for referendum by the Council following a public hearing. There was an additional appropriation made during the year in the amount of \$171,000 from General Fund fund balance.
- G. The Department of Education is not a separate legal entity, but a separate function of the Town. Its Board is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Town Council approval and, if necessary, approval at a public hearing or referendum.
- H. Formal budgetary integration is employed as a management control device during the year.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

- I. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except those for the capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

A reconciliation of General Fund revenues, expenditures and net other financing sources/uses, as presented in accordance with GAAP and as presented on the budgetary basis, is as follows:

	Revenues	Expenditures	Net Other Financing Sources/(Uses)	Fund Balance
Budgetary basis	\$ 91,959,779	\$ 92,522,468	\$ 609,921	\$ 9,334,452
Bond refunding issue costs	-	120,890	120,890	-
Accrued payroll	-	130,000	-	(130,000)
State Teachers Retirement				
System on-behalf payments	4,560,000	4,560,000	-	-
Encumbrances:				
June 30, 2009	-	886,245	-	109,952
June 30, 2010	-	(1,320,226)	-	1,320,226
Cancellation of prior year encumbrances	-	-	(186,128)	-
GAAP basis	<u>\$ 96,519,779</u>	<u>\$ 96,899,377</u>	<u>\$ 544,683</u>	<u>\$ 10,634,630</u>

Note 3. Cash, Cash Equivalents and Investments

Deposits: The Town has a policy that deposits can include demand and savings accounts and certificates of deposits. Town policy for custodial credit risk follows the State of Connecticut requirements that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: Town policy for eligible investments are governed by State of Connecticut Statutes which, in general, allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

rating categories of any nationally recognized rating service. For the Capital Nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Town has an investment policy for its pension funds and an investment policy for the Police Post-employment Healthcare Fund that provides an asset allocation, over a full market cycle, of approximately 65% equities (or alternative investment strategies as equivalents) and 30% fixed income and cash (or alternative investment strategies as equivalents). For purposes of this document, a full market cycle is defined by the Board to be no less than three years, or no more than seven years. The allocation targets and ranges are expressed in the Investment Policy Statement as follows:

	Minimum	Target	Maximum
Global Equities	35	65	80
Fixed Income and Cash	20	35	65

	Minimum	Target	Maximum
Domestic Equities	55	75	90
International Equities	10	25	45

For both investment policies, no more than 5% (at cost) or 10% (at market) may be invested in any one company; no more than 20% exposure to any one industry.

Interest rate risk: The Town, which includes the Trust Funds, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentrations: The Town's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

The following represents the investments in each respective Plan that represents more than 5% of the respective Plan's net assets as of June 30, 2010:

Town Pension Fund

Berens Capital Fund	\$ 1,877,740
Brandywine Fund, Inc.	2,853,437
Ironwood	1,815,953
Loomis Sayles Bond Fund	3,361,032
Metro West Total Return Bond Class I	4,967,671
Neuberg Lg Cap	4,128,881
Neuberger International	1,793,933
Snow Capital	2,876,999
Thornburg	1,861,678
IVA Worldwide Class	1,765,785

Police Pension Fund

Berens Capital	1,290,340
Brandywine Fund, Inc.	1,960,816
Ironwood	1,247,882
Loomis Sayles Bond Fund	2,309,625
Metro West Total Return Class I	3,413,670
Neuberger International	1,232,750
Neuberger Lg Cap	2,837,273
Snow Capital	1,977,008
Thornburg	1,279,303
IVA Worldwide Class	1,213,407

Volunteer Firefighters' Pension

Berens Capital Fund	30,959
Brandywine Fund, Inc.	47,046
Loomis Sayles Bond Fund	55,414
Metrowest	81,903
Neuberger Lg Cap	68,074
Snow Capital	47,434
Thornburg	30,694
Plan Specific	125,649

Police Post-Employment Healthcare Fund

Alliance Bernstein International Value	68,556
Brandywine Fund Inc.	91,347
Loomis Sayles Bond Fund	172,046
Metro West Total Return Bond Class I	207,886
Powershares FTSE RAFI US1000 Portfolio	178,126
Powershares FTSE RAFI US1500 Small-Mid Portfolio	62,686
Third Avenue Value Fund Open End	103,512

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2010, \$22,959,578 of the Town's bank balance of \$32,182,070 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and the pension funds do not have custodial credit risk policies for investments.

Cash and investments of the Town consist of the following at June 30, 2010:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 26,145,368
State of Connecticut Short-Term Investment fund	572,777
Tax Exempt Proceeds Fund	527,524
Cutwater-Connecticut Class Plus	210,570
Total cash and cash equivalents	27,456,239
Investments	
General Fund	
Certificates of Deposit	5,358,000
Permanent Funds	
Common Stock	468,144 *
Money Market Mutual Funds	249,884
Alternative Investments	8,626
Total governmental funds investments	6,084,654
Pension Trust Funds:	
Common and Preferred Stocks	11,506,081 *
Private Placements	125,840 *
Money Market Mutual Funds	859,127
Fixed Income Mutual Funds	15,173,907
Equity Mutual Funds	13,561,344
Alternative Investments (Hedge Funds)	9,199,321
Total pension investments	50,425,620
Total investments	56,510,274
Total cash, cash equivalents and investments	\$ 83,966,513

* These investments are uninsured and unregistered, with securities held by the counterparty, but not in the Town's name.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets

Cash and cash equivalents	\$ 25,567,874
Investments	5,358,000
Permanently restricted cash and cash equivalents	78,361
Temporarily restricted investments	626,395
Permanently restricted investments	100,259
	<u>31,730,889</u>

Fiduciary Funds:

Cash and cash equivalents	1,810,004
Investments	50,425,620
	<u>52,235,624</u>

Total cash, cash equivalents and investments	\$ 83,966,513
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Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)
		Less Than 1 Year
Pooled Fixed Income	\$ 1,310,871	\$ 1,310,871
Money Market Mutual Funds	1,109,011	1,109,011
Total	<u>\$ 2,419,882</u>	<u>\$ 2,419,882</u>

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the actual rating by Standard and Poor's as required for each debt type investment.

Standard & Poor's	Pooled Fixed Income	Money Market Mutual Funds
AAAm	\$ 1,310,871	\$ -
Unrated	-	1,109,011
	<u>\$ 1,310,871</u>	<u>\$ 1,109,011</u>

Note 4. Unearned Revenue/Deferred Revenue

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 and governmental activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of unearned revenue and deferred revenue reported in governmental funds and governmental activities are as follows:

	Deferred Revenues	Unearned Revenue
Delinquent property taxes receivable (general fund)	\$ 325,795	\$ -
Special assessments not yet due (special revenue fund)	733,855	-
CRRA grant receivable	2,144,996	-
Grant receivable	1,997,419	-
Advance tax collections	-	791,120
Sewer usage	60,442	-
Grant drawdowns prior to meeting all eligibility requirements	-	735,984
Total	<u>\$ 5,262,507</u>	<u>\$ 1,527,104</u>

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2010

Note 5. Interfund Receivables, Payables and Transfers

At June 30, 2010, interfund balances that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 3,936	\$ -
Nonmajor Governmental Funds	-	3,936
	<u>\$ 3,936</u>	<u>\$ 3,936</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances resulted from the time lag from the General Fund to various other funds, pending receipt of program fees, appropriations, and other financing arrangements.

Interfund transfers during the year ended June 30, 2010 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 1,453,185	\$ 1,034,959
Nonmajor Governmental Funds	1,034,959	1,453,185
	<u>\$ 2,488,144</u>	<u>\$ 2,488,144</u>

Transfers are used to account for: (1) financing by the General Fund of programs accounted for in other funds in accordance with budgetary appropriations; (2) sewer and water assessments and sewer usage charges collected in special revenue funds appropriated to General Fund to offset debt service expenditures; and (3) the annual transfer of accumulated interest from the General Town Funds Special Revenue Fund to the General Fund.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,410,977	\$ 168,645	\$ -	\$ 20,579,622
Construction in progress	4,086,746	4,681,563	6,717,420	2,050,889
Total capital assets, not being depreciated	24,497,723	4,850,208	6,717,420	22,630,511
Capital assets, being depreciated:				
Land improvements	3,092,195	110,095	-	3,202,290
Buildings and improvements	106,442,181	3,719,158	-	110,161,339
Vehicles	9,375,341	66,107	18,009	9,423,439
Machinery and equipment	6,236,608	986,373	5,995	7,216,986
Infrastructure	79,036,385	2,188,041	-	81,224,426
Total capital assets being depreciated	204,182,710	7,069,774	24,004	211,228,480
Less accumulated depreciation for:				
Land improvements	793,886	32,514	-	826,400
Buildings and improvements	32,787,692	2,006,223	-	34,793,915
Vehicles	4,484,895	528,610	12,318	5,001,187
Machinery and equipment	3,281,010	372,463	580	3,652,893
Infrastructure	28,955,905	1,108,736	-	30,064,641
Total accumulated depreciation	70,303,388	4,048,546	12,898	74,339,036
Total capital assets, being depreciated, net	133,879,322	3,021,228	11,106	136,889,444
Governmental activities capital assets, net	\$ 158,377,045	\$ 7,871,436	\$ 6,728,526	\$ 159,519,955

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

Administration and Finance	\$ 142,614
Public safety	538,810
Public works	2,205,060
Social services	65,851
Cultural services	85,775
Leisure services	160,920
Education	849,516
Total depreciation expense	<u>\$ 4,048,546</u>

Construction commitments

The Town has active construction projects as of June 30, 2010. At year-end, the Town's commitments with contractors were \$1,536,061.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2010 was as follows:

Changes in Long-Term Obligations

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in Less Than One Year
Bonds/Notes									
Schools:									
School bonds	\$ 2,568,300	08/15/91*	08/15/11	5.70-7.70%	\$ 9,900	\$ -	\$ (9,900)	\$ -	\$ -
School refunding bonds	2,281,270	08/01/98	08/01/11	4.00-5.00%	422,600	-	(175,800)	246,800	124,100
School bonds	6,542,885	11/15/99*	10/15/09	4.875-5.625%	358,379	-	(358,379)	-	-
School bonds	1,928,349	11/01/01*	11/01/10	3.00-5.00%	203,700	-	(101,850)	101,850	101,850
School refunding bonds	14,415,800	11/01/01	08/01/15	4.00-5.00%	6,983,100	-	(1,152,700)	5,830,400	1,143,100
School bonds	1,040,500	12/15/02*	08/01/22	3.00-5.00%	745,000	-	(745,000)	-	-
School refunding bonds	6,018,000	12/15/04	08/01/21	2.00-5.00%	5,827,000	-	(169,000)	5,658,000	522,000
School bonds	2,228,020	02/01/05*	02/01/25	3.125-5.125%	1,867,680	-	(1,167,300)	700,380	116,730
School bonds	1,140,165	12/15/06*	08/01/26	3.500-5.000%	1,080,000	-	(60,000)	1,020,000	60,000
School bonds	1,410,246	06/15/09*	01/15/29	2.500-4.400%	1,410,246	-	-	1,410,246	70,246
School refunding bonds	675,000	06/02/10	08/01/22	3.00-5.00%	-	675,000	-	675,000	48,000
School refunding bonds	1,085,000	06/02/10	08/01/22	2.00-5.00%	-	1,085,000	-	1,085,000	-
Subtotal					18,907,605	1,760,000	(3,939,929)	16,727,676	2,186,026
Bond premium/deferred loss on refunding					(146,448)	36,878	12,923	(96,647)	-
Total schools					18,761,157	1,796,878	(3,927,006)	16,631,029	2,186,026
Sewer: ⁽¹⁾									
WWTP notes	567,432	01/15/91	07/15/10	2.00%	31,524	-	(29,099)	2,425	2,425
Sewer bonds	1,584,151	08/15/91*	08/15/11	5.70-7.70%	30,400	-	(30,400)	-	-
WWTP notes	12,569,081	04/06/93	07/31/12	2.00%	2,258,525	-	(717,303)	1,541,222	731,781
WWTP notes	1,425,949	04/30/95	07/31/12	2.00%	284,564	-	(90,377)	194,187	92,201
Sewer refunding bonds	729,000	08/01/98	08/01/11	4.00-5.00%	160,800	-	(54,200)	106,600	53,600
Sewer bonds	542,000	11/15/99*	10/15/09	4.875-5.625%	29,054	-	(29,054)	-	-
Sewer refunding bonds	4,498,100	11/01/01	08/01/15	4.00-5.00%	2,179,000	-	(359,700)	1,819,300	356,700
Sewer bonds	2,183,900	12/15/02*	08/01/22	3.00-5.00%	1,609,400	-	(1,609,400)	-	-
Sewer refunding bonds	1,077,000	12/15/04	08/01/21	2.00-5.00%	1,020,000	-	(81,000)	939,000	106,000
Sewer bonds	700,000	12/15/06*	08/01/26	3.500-5.000%	663,000	-	(37,000)	626,000	37,000
WWTP notes	5,086,640	09/28/07	09/28/27	2.00%	4,693,180	-	(222,494)	4,470,686	226,985
WWTP notes	969,061	09/28/07	09/28/27	2.00%	1,344,811	-	(63,755)	1,281,056	65,042
Sewer bonds	1,493,268	06/15/09*	01/15/29	2.500-4.400%	1,493,268	-	-	1,493,268	83,268
Sewer refunding bonds	1,459,000	06/02/10	08/01/22	3.00-5.00%	-	1,459,000	-	1,459,000	99,000
Subtotal					15,797,526	1,459,000	(3,323,782)	13,932,744	1,854,002
Bond premium/deferred loss on refunding					(23,098)	30,571	2,074	9,547	-
Total sewer					15,774,428	1,489,571	(3,321,708)	13,942,291	1,854,002

(Continued)

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2010

Changes in Long-Term Obligations

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due in Less Than One Year
Bonds/Notes, Continued									
General purpose: ⁽²⁾									
Improvement bonds	5,537,549	08/15/91*	08/15/11	5.70-7.70%	14,700	-	(14,700)	-	-
Improvement refunding bonds	8,884,630	08/01/98	08/01/11	4.00-5.00%	1,256,600	-	(715,000)	541,600	272,300
Improvement bonds	7,470,115	11/15/99*	10/15/09	4.875-5.625%	472,567	-	(472,567)	-	-
Improvement bonds	5,571,651	11/01/01*	11/01/10	3.00-5.00%	586,300	-	(293,150)	293,150	293,150
Improvement refunding bonds	11,226,100	11/01/01	08/01/15	4.00-5.00%	5,437,900	-	(897,600)	4,540,300	890,200
Improvement bonds	5,775,600	12/15/02*	08/01/22	3.00-5.00%	4,270,600	-	(4,270,600)	-	-
Improvement refunding bonds	15,445,000	12/15/04	08/01/21	2.00-5.00%	14,308,000	-	(910,000)	13,398,000	1,382,000
Improvement bonds	3,196,980	02/01/05*	02/01/25	3.125-5.125%	2,692,320	-	(1,682,700)	1,009,620	168,270
Improvement bonds	3,659,835	12/15/06*	08/01/26	3.500-5.000%	3,467,000	-	(193,000)	3,274,000	193,000
Improvement bonds	4,326,486	06/15/09*	01/15/29	2.500-4.400%	4,326,486	-	-	4,326,486	231,486
Improvement refunding bonds	3,881,000	06/02/10	08/01/22	3.00-5.00%	-	3,881,000	-	3,881,000	263,000
Improvement refunding bonds	1,560,000	06/02/10	08/01/22	2.00-5.00%	-	1,560,000	-	1,560,000	-
Subtotal					36,832,473	5,441,000	(9,449,317)	32,824,156	3,693,406
Bond premium/deferred loss on refunding					(370,912)	114,008	32,789	(224,115)	-
Total general purpose					36,461,561	5,555,008	(9,416,528)	32,600,041	3,693,406
Total bonds and notes					70,997,146	8,841,457	(16,665,242)	63,173,361	7,733,434
Net pension obligation					700,019	-	(15,342)	684,677	-
OPEB obligations					1,476,060	988,076	-	2,464,136	-
Landfill closure/post closure care costs					792,000	-	(48,000)	744,000	48,000
Compensated absences					2,170,076	10,105	(59,710)	2,120,471	424,094
Heart and hypertension					2,829,757	-	(79,365)	2,750,392	398,091
Early retirement					486,301	3,569	(142,097)	347,773	166,943
Total general long-term obligations					\$ 79,451,359	\$ 9,843,207	\$ (17,009,756)	\$ 72,284,810	\$ 8,770,562

* Bonds have callable features.

(1) Sewer bonds are partially funded by sewer assessments transferred from the Sewer and Water Assessments Fund.

(2) Improvement bonds are partially funded by water assessments transferred from the Sewer and Water Assessments Fund.

All long-term liabilities are generally liquidated by the General Fund, with the exception of heart and hypertension benefits which are accounted for in the Internal Service Fund.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

The annual debt service requirements of general obligation bonds and notes are as follows:

	Bonds		Notes		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 6,615,000	\$ 2,123,622	\$ 1,118,434	\$ 139,554	\$ 7,733,434	\$ 2,263,176
2012	6,290,000	1,980,258	1,138,535	117,024	7,428,535	2,097,282
2013	5,965,000	1,711,126	374,746	100,578	6,339,746	1,811,704
2014	5,955,000	1,441,389	310,069	94,325	6,265,069	1,535,714
2015	5,310,000	1,187,263	316,327	88,067	5,626,327	1,275,330
2016	4,555,000	972,851	322,712	81,682	4,877,712	1,054,533
2017	3,560,000	807,489	329,226	75,168	3,889,226	882,657
2018	3,095,000	674,826	335,871	68,523	3,430,871	743,349
2019	3,070,000	547,582	342,650	61,744	3,412,650	609,326
2020	2,500,000	431,033	349,566	54,827	2,849,566	485,860
2021	1,830,000	340,191	356,622	47,772	2,186,622	387,963
2022	1,825,000	272,704	363,820	40,573	2,188,820	313,277
2023	1,425,000	209,875	371,164	33,230	1,796,164	243,105
2024	955,000	161,919	378,656	25,738	1,333,656	187,657
2025	955,000	122,983	386,299	18,095	1,341,299	141,078
2026	665,000	83,410	394,096	10,298	1,059,096	93,708
2027	665,000	55,670	300,783	2,512	965,783	58,182
2028	380,000	33,440	-	-	380,000	33,440
2029	380,000	16,720	-	-	380,000	16,720
	<u>\$ 55,995,000</u>	<u>\$ 13,174,351</u>	<u>\$ 7,489,576</u>	<u>\$ 1,059,710</u>	<u>\$ 63,484,576</u>	<u>\$ 14,234,061</u>

2010 General Obligation Bond – In-Substance Defeasance

On June 2, 2010, the Town issued \$8,660,000 of general obligation bonds with interest rates ranging from 2.5% to 5.0% of which was used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the Town dated March 1, 2004, September 15, 2004, June 15, 2005, June 15, 2006, December 15, 2002 and February 1, 2005 (the "Refunding Bonds"). Of the net proceeds of \$9,354,571 (after payment of \$120,890 in underwriters fees and other costs), \$9,228,114 was placed in an irrevocable trust fund under an Escrow Agreement dated June 2010 between the Town and the Escrow Agent. The Escrow Agent used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$350,000, and a savings of approximately \$386,000 between the old debt payments and the new debt payments.

The balance in the escrow was approximately \$13 million at June 30, 2010. The balance of the defeased bonds was approximately \$13 million at June 30, 2010. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

Bonds authorized but unissued

Total authorized but unissued debt at June 30, 2010 consists of the following:

General purpose	\$	5,684,639
Schools		2,559,657
Sewers		4,171,586
	\$	<u>12,415,882</u>

Legal debt limit

The Town's indebtedness (including authorized but unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 164,890,559	\$ 38,508,795	\$ 126,381,764
Unfunded Pension Benefit Obligation	219,854,079	-	219,854,079
Schools	329,781,119	17,289,914	312,491,205
Sewers	274,817,599	18,104,330	256,713,269
Urban renewal	238,175,252	-	238,175,252
	<u>\$ 1,227,518,608</u>	<u>\$ 73,903,039</u>	<u>\$ 1,153,615,569</u>

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$512,992,851.

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2010 was \$628,433. Additional payments for principal and interest aggregating \$2,243,723 are to be received through the bonds' maturity dates.

Landfill closure and post-closure care costs

State and federal laws and regulations required the Town to place a final cover on its 12 and 18 acre landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. As of June 30, 2010, both landfill sites have been closed.

The projected liability reported at June 30, 2010 is estimated at \$744,000, which is \$48,000 less than the projected liability at June 30, 2009. The monitoring costs are based on what it would cost to perform all post-closure care at 2010 prices with a third party performing all closure work. Actual costs may also change based on inflation, deflation, technology, or changes in the applicable laws and regulations.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

The Town has landfill postclosure care costs as follows:

Town Landfill	Year of Closure	Monitoring Costs (Estimate)	Years Remaining	Projected Liability	Short-Term Liability	Long-Term Liability
Northern Section	1985	\$ 24,000	5	\$ 120,000	\$ 24,000	\$ 96,000
Southern Section	2006	24,000	26	624,000	24,000	\$ 600,000
		<u>\$ 48,000</u>		<u>\$ 744,000</u>	<u>\$ 48,000</u>	<u>\$ 696,000</u>

Note 8. Employee Retirement Systems

The Town administers three single employer, defined benefit pension plans. The three plans, Town Plan, Police Plan, and Volunteer Firefighter Plan, are included in the financial statements as pension trust funds. The plans do not issue stand-alone financial reports. Plan contribution requirements and benefits are established by Town ordinances. Administrative expenses of the plan, including actuarial and legal fees, are paid from the trust fund. The Town reserves the right by action of the Council, after required public hearings, to amend the plans, subject to provisions, if any, in collective bargaining agreements.

Based on actual valuation reports dated July 1, 2008, membership consisted of:

Category	Town	Police	Volunteer Firefighter
Retirees and beneficiaries currently receiving benefits	136	28	8
Terminated employees entitled to benefits, but not yet receiving them	38	-	15
Active plan members	332	46	102
	<u>506</u>	<u>74</u>	<u>125</u>

Town Plan

This plan covers all regular full-time employees except teachers covered by the Connecticut Teachers' Retirement System and policemen. Employees are 100% vested after ten years of credited service. They may retire at age 65 after completing five years of credited service or, if earlier, the date upon which their age plus completed years of credited service equals 80. Retirement benefits are based on the plan and benefits elected.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

Police Plan

This plan covers all regular, full-time police officers except those hired at age 55 and older. Officers are fully vested after completing ten years of credited service. Normal retirement shall be the earlier of 20 years of service or age 55 with 10 years of service. Final average compensation is computed in the same manner as for the Town plan. The plan also provides disability benefits, spousal benefits, and a death benefit equal to the return of employee contributions with interest if the employee has not satisfied the plan's vesting requirements.

Volunteer Firefighters Plan

This plan covers all volunteer firefighters. Firefighters are vested on a percentage basis after five years of credited service. Normal retirement is the participant's 65th birthday. Benefits are calculated based upon a flat rate schedule for years of service. The plan also provides disability benefits by the return of the value of their accrued benefit in a lump sum payment. The valuation dated 7/1/2008 reflects changes made to the plan provisions. These changes increased the unfunded accrued liability by approximately \$760,000, and the 2009-2010 recommended contribution by approximately \$105,000.

Employee contributions are based upon a percentage of earnings as follows:

Town	Police	Volunteer Firefighters
Plan A - 3.5%	8.0%	None
Plan B - 1.5%		

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

Significant actuarial assumptions are as follows:

	Town	Police	Volunteer Firefighters
Valuation date	7/1/08	7/1/08	7/1/08
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	15 years, open	15 years, open	30 years, open
Asset valuation method	5-Year Smoothed Market Value	5-Year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions\			
Investment rate of return ⁽¹⁾	8.5%	8.5%	8.5%
Inflation rate	3.5%	3.5%	N/A
Projected salary increases	(2)	(3)	N/A

(1) Compounded annually.

(2) Age-graded table, ranging from 4.0% to 6.5%.

(3) Age-graded table, ranging from 3.5% to 9.0%.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

The net pension obligation for the plans are as follows:

	Town	Police	Volunteer Firefighter
Annual Required Contribution (ARC)	\$ 618,414	\$ 252,025	\$ 121,109
Interest on NPO	49,830	69	9,602
Adjustment to ARC	(65,065)	(90)	(9,688)
Annual pension cost	603,179	252,004	121,023
Contribution made	618,414	252,025	121,109
Decrease in NPO	(15,235)	(21)	(86)
NPO - July 1, 2009	586,240	813	112,966
NPO - June 30, 2010	<u>\$ 571,005</u>	<u>\$ 792</u>	<u>\$ 112,880</u>

Three Year Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Town			
2008	\$ 551,100	102.9%	\$ 601,882
2009	\$ 551,517	102.8%	\$ 586,240
2010	\$ 603,179	102.5%	\$ 571,005
Police			
2008	\$ 196,812	100.0%	\$ 835
2009	\$ 196,812	100.0%	\$ 813
2010	\$ 252,004	100.0%	\$ 792
Volunteer Firefighters			
2008	\$ 24,023	100.0%	\$ 15,904
2009	\$ 121,097	19.8%	\$ 112,996
2010	\$ 121,023	100.1%	\$ 112,880

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Over (Under) Funded AAL (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Over/(Under) Funded AAL as a Percentage of Covered Payroll ((B-A)/C)
Town						
7/1/08	\$ 37,610,994	\$ 33,391,499	\$ 4,219,495	112.6%	\$ 13,142,786	32.1%
Police						
7/1/08	\$ 26,101,814	\$ 25,487,057	\$ 614,757	102.4%	\$ 3,630,885	16.9%
Volunteer Firefighters Plan**						
7/1/08	\$ 629,104	\$ 1,432,140	\$ (803,036)	43.9%	N/A	N/A

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

** 7/1/2008 valuation reflects changes made to plan provisions.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

SCHEDULE OF PLAN NET ASSETS
June 30, 2010

	Pension Trust Funds			OPEB Trust	Total
	Town Pension Fund	Police Pension Fund	Volunteer Firefighters Pension	Police Post- employment Healthcare Fund	
ASSETS					
Cash	\$ 487,544	\$ 310,422	\$ 125,649	\$ 39,888	\$ 963,503
Investments					
Common stock	6,753,725	4,641,005	111,351	-	11,506,081
Private placements	73,864	50,758	1,218	-	125,840
Money market mutual funds	504,282	346,531	8,314	-	859,127
Fixed income mutual funds	8,683,620	5,967,186	143,169	379,932	15,173,907
Equity mutual funds	7,663,861	5,269,862	123,394	504,227	13,561,344
Alternative investments	5,400,001	3,707,326	91,994	-	9,199,321
Total investments	29,079,353	19,982,668	479,440	884,159	50,425,620
Net Assets Held in Trust for Pension Benefits and Other Post-Employment Benefits	\$ 29,566,897	\$ 20,293,090	\$ 605,089	\$ 924,047	\$ 51,389,123

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

SCHEDULE OF CHANGES IN PLAN NET ASSETS
Year Ended June 30, 2010

	Pension Trust Funds			OPEB Trust	
	Town Pension Fund	Police Pension Fund	Volunteer Firefighters Pension	Police Post- employment Healthcare Fund	Total
Additions:					
Employer contributions	\$ 618,414	\$ 252,025	\$ 121,109	\$ 56,558	\$ 1,048,106
Employee contributions	342,367	306,268	-	52,800	701,435
Total additions	960,781	558,293	121,109	109,358	1,749,541
Investment Income:					
Net appreciation in fair value of investments	3,160,601	2,183,876	52,555	112,623	5,509,655
Interest and dividends	662,667	456,556	11,221	28,685	1,159,129
	3,823,268	2,640,432	63,776	141,308	6,668,784
Less investment expenses:					
Investment management fees	145,271	102,095	2,562	1,746	251,674
Net investment gain	3,677,997	2,538,337	61,214	139,562	6,417,110
Total additions	4,638,778	3,096,630	182,323	248,920	8,166,651
Deductions:					
Benefits	1,563,108	1,047,212	16,600	175,593	2,802,513
Administration	68,473	30,103	4,208	3,682	106,466
Total deductions	1,631,581	1,077,315	20,808	179,275	2,908,979
Net increase	3,007,197	2,019,315	161,515	69,645	5,257,672
Net Assets Held in Trust, beginning of year	26,559,700	18,273,775	443,574	854,402	46,131,451
Net Assets Held in Trust, end of year	\$ 29,566,897	\$ 20,293,090	\$ 605,089	\$ 924,047	\$ 51,389,123

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

Connecticut Teacher Retirement System 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.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$4,560,000 for the year ended June 30, 2010.

Note 9. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the Town instituted a policy providing for a portion of health insurance coverage or subsidized coverage to retired employees. Teachers, town employees and police may become eligible for those benefits if they retire under a normal retirement or with disability. The OPEB Plans are single-employer defined benefit plans. The Police Plan is part of the Town reporting entity and is accounted for in the OPEB Trust Fund. The OPEB Plan does not issue stand-alone financial statements.

Post retirement benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, discloses the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description

The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through single-employer defined benefit plans. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2009. The post-retirement plans do not issue stand-alone financial reports.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Projected Unit Credit Method.

Membership in the plans consisted of the following at July 1, 2009.

Category	Town	Police	BOE
Retirees and beneficiaries receiving benefits	13	17	105
Active plan members	125	47	380
Total	138	64	485

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (A-B)	Funded Ratio (A/B)	Covered Payroll (Total) (C)	UAAL as a Percentage of Payroll ((B-A)/C)
<u>Town</u>						
7/1/2009	\$ -	\$1,573,885	\$1,573,885	0.00%	\$7,640,125	20.6%
<u>Police</u>						
7/1/2009	\$ 854,402	\$6,919,837	\$6,065,435	12.35%	\$3,903,774	155.4%
<u>BOE</u>						
7/1/2009	\$ -	\$19,171,528	\$19,171,528	0.00%	\$30,234,970	63.4%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
<u>Town</u>				
6/30/09	\$ 104,292	\$ 143,315	137.4%	\$ (39,023)
6/30/10	105,217	180,541	171.6%	(114,347)
<u>Police</u>				
6/30/09	\$ 608,827	\$ 56,424	9.3%	\$ 552,403
6/30/10	622,687	56,558	9.1%	1,118,532
<u>BOE</u>				
6/30/09	\$ 1,388,615	\$ 425,935	30.7%	\$ 962,680
6/30/10	1,392,937	1,010,013	72.5%	1,345,604

OPEB Obligation (Asset)

	Town	Police	BOE
Annual required contribution	\$ 104,680	\$ 624,753	\$ 1,406,178
Interest on net OPEB obligation (asset)	(1,756)	41,430	43,321
Adjustment to annual required contribution	2,293	(43,496)	(56,562)
Annual OPEB cost	105,217	622,687	1,392,937
Contributions made	(180,541)	(56,558)	(1,010,013)
Increase in net OPEB liability (asset)	(75,324)	566,129	382,924
Net OPEB obligation (asset), beginning of year	(39,023)	552,403	962,680
Net OPEB obligation (asset), end of year	\$ (114,347)	\$ 1,118,532	\$ 1,345,604

Actuarial valuations of ongoing plans 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 actual results are compared with past expectations and new estimates are made about the future.

Projections of 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 of benefit costs between the employer and plan

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

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.

The information presented was determined as part of the actuarial valuations. Additional information as of the last actuarial valuations follows:

	Town	Police	BOE
Valuation Date:	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial Cost Method:	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Asset Valuation Method:	Market Value	Market Value	Market Value
Amortization Method:	30 Years, Level Dollar, Open	30 Years, Level Dollar, Open	30 Years, Level Dollar, Open
Remaining Amortization Period	30 Years	30 Years	30 Years
Actuarial Assumptions:			
Discount rate	4.5%	7.5%	4.5%
Salary increase rate	N/A	N/A	N/A
Inflation rate	N/A	N/A	N/A

Healthcare cost trend rates Average annual healthcare cost trend rates are assumed to be as follows:

Year	Decrease
2010	7.0%
2011	6.0%
2012 and later	5.0%

Note 10. Fund Deficits

The following funds had fund deficits as of June 30, 2010:

Internal Service Fund:	
Heart and Hypertension	<u>\$ 2,106,829</u>

This fund deficit is expected to be repaid with future transfers from other funds.

Note 11. Contingencies and Commitments

Construction and other significant commitments have been reported as a reserve for encumbrances in the fund equity section of the balance sheet.

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

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2010

The Town is currently a defendant in a number of lawsuits. It is the opinion of Town officials that such pending litigation will not result individually or in the aggregate in a final judgment against the Town which would have a material adverse effect on its financial position.

Note 12. Risk Management

The Town is exposed to various risks of loss relating to public official liability, policy liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all risks of loss, including blanket and umbrella policies, except for self-insured medical benefits provided under two of its three health insurance plans, prescription drug plan, dental plans, and workers' compensation covered under a public entity risk pool. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from coverage in the prior year.

The Town established an internal service fund, the health insurance fund, to account for and finance employee medical benefits claims for eligible employees of both the Town and Board of Education. The Town retains the risk of loss under two of the three medical plans it offers, along with dental and prescription drugs. The risk of loss is retained by the insurance provider under a third plan.

A third party processes the claims filed under both the insured and the self-insured health plans, for which the General Fund is charged an administrative fee. The General Fund also pays for a stop-loss policy for individual claims exceeding \$150,000 for the self-insured health plan. Incurred but not recorded claims (IBNR) are accrued for in the Health Insurance Fund. The Town pays for claims in any one year of up to 110% of expected claims. Any excess claims are payable ratably over the following year.

The Town established another internal service fund, Heart & Hypertension, to account for the financing of heart and hypertension claims.

Payments to the Health Insurance internal service fund are based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. For the Heart & Hypertension fund, payments to the fund are based upon estimates of claim reserves necessary to pay annual commitments as well as future claims. The claims liability for the Health Insurance Fund and Heart & Hypertension Fund, respectively, reported in the fund at June 30, 2010, is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which includes past experience data, inflation and other future economic and societal factors and incremental claims adjustment expenses, net of estimated subrogation recoveries. Liabilities for unpaid claims are based on recommendations from third-party administrators. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

Health Insurance Fund					
	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30	Due Within One Year
2008-2009	\$ 776,781	\$ 8,965,537	\$ 8,696,907	\$ 1,045,411	\$ 1,045,411
2009-2010	\$ 1,045,411	\$ 8,871,813	\$ 9,192,522	\$ 724,702	\$ 724,702

Heart & Hypertension Fund					
	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30	Due Within One Year
2008-2009	\$ 2,983,082	\$ 148,442	\$ 301,767	\$ 2,829,757	\$ 394,280
2009-2010	\$ 2,829,757	\$ 199,544	\$ 278,909	\$ 2,750,392	\$ 398,091

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a, et. seq., of Connecticut General Statutes, for workers' compensation first dollar coverage.

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

Note 13. Project Authorizations

The following is a summary of Capital Improvement Fund projects at June 30, 2010:

	Authorization	Cumulative Expenditures	Unspent Authorizations
Various Capital Improvements	\$ 72,617,223	\$ 57,375,319	\$ 15,241,904

Note 14. Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2010 that have future effective dates that may impact future financial presentations.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2010

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

Statement No. 54

Fund Balance Reporting and Governmental Fund Type Definitions

This Statement will be implemented by the Town as required by the GASB during the fiscal year ending June 30, 2011. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. This Statement establishes the criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The implementation of this Statement will result in changes to the classification of fund balances in the Town's governmental funds.

Statement No. 57

OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

The provisions of Statement No. 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

Statement No. 59

Financial Instrument Omnibus

The objective of Statement No. 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010.

**Required Supplementary
Information**

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TOWN OF CHESHIRE, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS - PENSION TRUST FUNDS June 30, 2010

<i>Schedule of Funding Progress-Pension Trust Funds</i>						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (D)
<u>Town</u>						
1/1/04	\$ 29,687,489	\$ 23,829,515	\$ 5,857,974	124.6%	\$ 10,486,175	55.9%
1/1/05	29,723,001	26,123,175	3,599,826	113.8%	10,486,175	34.3%
1/1/06	32,093,220	27,384,201	4,709,019	117.2%	11,398,775	41.3%
7/1/06	32,697,624	28,493,879	4,203,745	114.8%	11,398,775	36.9%
7/1/07	35,409,315	30,902,132	4,507,183	114.6%	11,398,775	39.5%
7/1/08	37,610,994	33,391,499	4,219,495	112.6%	13,142,786	32.1%
<u>Police</u>						
1/1/04	\$ 20,652,517	\$ 17,982,542	\$ 2,669,975	114.8%	\$ 3,153,490	84.7%
1/1/05	20,608,230	19,410,632	1,197,598	106.2%	3,153,490	38.0%
1/1/06	22,483,540	20,967,059	1,516,481	107.2%	3,319,920	45.7%
7/1/06	22,971,307	21,723,719	1,247,588	105.7%	3,319,920	37.6%
7/1/07	24,746,934	23,316,225	1,430,709	106.1%	3,319,920	43.1%
7/1/08	26,101,814	25,487,057	614,757	102.4%	3,630,885	16.9%
<u>Volunteer Firefighters Plan</u>						
1/1/04	\$ 447,793	\$ 615,387	\$ (167,594)	72.8%	N/A	N/A
1/1/05	475,396	654,857	(179,461)	72.6%	N/A	N/A
1/1/06	531,713	617,384	(85,671)	86.1%	N/A	N/A
7/1/06	539,808	637,371	(97,563)	84.7%	N/A	N/A
7/1/07	593,636	680,556	(86,920)	87.2%	N/A	N/A
7/1/08	629,104	1,432,140 **	(803,036)	43.9%	N/A	N/A

** Valuation reflects changes made to plan provisions.

TOWN OF CHESHIRE, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING EMPLOYER CONTRIBUTIONS - PENSION TRUST FUNDS

June 30, 2010

Schedule of Employer Contributions - Pension Trust Fund

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
------------------------	------------------------------------	------------------------	---------------------------

Town

2005	\$ 224,571	\$ 224,571	100%
2006	224,571	224,571	100%
2007	489,516	544,025	111%
2008	567,159	567,159	100%
2009	567,159	567,159	100%
2010	618,414	618,414	100%

Police

2005	\$ -	\$ -	-
2006	-	-	-
2007	151,189	98,000	65%
2008	196,834	196,834	100%
2009	196,834	196,834	100%
2010	252,025	252,025	100%

Volunteer Firefighters

2005	\$ 30,423	\$ 30,423	100%
2006	30,423	30,423	100%
2007	23,395	31,000	133%
2008	24,035	24,035	100%
2009	121,109	24,035	20%
2010	121,109	121,109	100%

TOWN OF CHESHIRE, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - OPEB June 30, 2010

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll (D)
--------------------------------	--	--	---------------------------------	--------------------------	---------------------------	--

Town

7/1/2007	\$ -	\$ 1,524,390	\$ 1,524,390	0.00%	\$ 8,926,753	17.1%
7/1/2009	-	1,573,885	1,573,885	0.00%	7,640,125	20.6%

Police

7/1/2007	\$ 1,277,759	\$ 5,790,937	\$ 4,513,178	22.06%	\$ 3,770,647	119.7%
7/1/2009	854,402	6,919,837	6,065,435	12.35%	3,903,774	155.4%

Volunteer Firefighters Plan

7/1/2007	\$ -	\$ 15,903,967	\$ 15,903,967	0.00%	\$ 28,225,369	56.3%
7/1/2009	-	19,171,528	19,171,528	0.00%	30,234,970	63.4%

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
------------------------	------------------------------------	------------------------	---------------------------

Town

2009	\$ 104,292	\$ 143,315	137%
2010	104,680	180,541	173%

Police

2009	\$ 608,827	\$ 56,424	9%
2010	624,753	56,558	9%

Volunteer Firefighters

2009	\$ 1,388,615	\$ 425,935	31%
2010	1,406,178	1,010,013	72%

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Appendix B

Form of Opinion of Bond Counsel

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ROBINSON & COLE LLP

280 Trumbull Street
Hartford, CT 06103-3597
Main (860) 275-8200
Fax (860) 275-8299

FORM OF OPINION OF BOND COUNSEL

February __, 2011

Town of Cheshire,
Cheshire, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Cheshire, Connecticut (the "Town"), a Tax Regulatory Agreement of the Town, dated February 25, 2011 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$8,675,000 Town of Cheshire, Connecticut General Obligation Bonds, Issue of 2011, dated February 15, 2011 (the "Bonds"), maturing on July 15 in each of the years, in the principal amounts and bearing interest payable on July 15, 2011 and semiannually thereafter on January 15 and July 15 in each year until maturity or earlier redemption, at the rates per annum as follows:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
2012	\$460,000	%	2022	\$455,000	%
2013	460,000		2023	455,000	
2014	460,000		2024	455,000	
2015	460,000		2025	455,000	
2016	460,000		2026	455,000	
2017	460,000		2027	455,000	
2018	455,000		2028	455,000	
2019	455,000		2029	455,000	
2020	455,000		2030	455,000	
2021	455,000				

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of June and December in each year, by check mailed to such registered owner at his address as shown on the registration books of the Town kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the Town the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

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

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is however, includible in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

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

Very truly yours,

ROBINSON & COLE LLP

Appendix C

Form of Continuing Disclosure Agreement

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FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Town of Cheshire, Connecticut
\$8,675,000 General Obligation Bonds, Issue of 2011
dated February 15, 2011

February 25, 2011

WHEREAS, the Town of Cheshire, Connecticut (the "Town") has heretofore authorized the issuance of \$8,675,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2011, dated February 15, 2011 (the "Bonds"), and to mature on the dates and in the amounts and set forth in the Town's Official Statement dated February 15, 2011 describing the Bonds (the "Official Statement"); and

WHEREAS, the Bonds have been sold by a competitive bid pursuant to a Notice of Sale, dated February 8, 2011 (the "Notice of Sale"); and

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

WHEREAS, the Town is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

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

NOW, THEREFORE, the Town hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 2 and 3 of this Agreement.

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

"Listed Events" shall mean any of the events listed in Section 4 of this Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Annual Reports.

(a) The Town shall provide or cause to be provided to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, the following annual financial information and operating data regarding the Town:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End prepared in accordance with accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(C) the percentage and amount of the annual property tax levy collected and uncollected;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt, total net direct debt and total overall net debt of the Town per capita;

(G) the ratios of total direct debt and total overall net debt of the Town to the Town's net taxable grand list;

(H) a statement of statutory debt limitations and debt margins; and

(I) the funding status of the Town's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Town's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents previously provided to the Repository, including official statements of the Town which will be available from the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Town reserves the right to modify from time to time the type of financial information and operating data provided or the format of the presentation of such financial information and operating data, to the extent necessary or appropriate; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule. The Town also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Town shall provide the financial information and operating data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and operating data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Town shall provide such financial information and operating data no later than eight months after the close of such preceding Fiscal Year End. The Town agrees that if audited financial statements are not available eight months after the close of any Fiscal Year End, it shall submit unaudited financial statements by such time and will submit audited financial statements information when and if available.

Section 4. Event Notices. The Town agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of any obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material.

Section 5. Notice of Failure. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of

any failure by the Town to provide the annual financial information described in Section 2(a) of this Agreement on or before the date described in Section 3 of this Agreement.

Section 6. Termination of Reporting Obligation. The Town's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Town may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the Town chooses to include any other information in any Annual Report or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the Town shall have no obligation under this Agreement to update such information or include or provide such information or notice of the occurrence of such event in the future.

Section 10. Indemnification. The Town agrees, pursuant to applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense or liability which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the Town under this Section shall survive termination of this Agreement.

Section 11. Enforceability. The Town agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Town does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Town's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the Town with respect to the Bonds.

IN WITNESS WHEREOF, the Town has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF CHESHIRE, CONNECTICUT

By: _____
Michael A. Milone
Town Manager

By: _____
Patti-Lynn Ryan
Director of Finance /Treasurer

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Appendix D

Notice of Sale

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NOTICE OF SALE

\$8,675,000
TOWN OF CHESHIRE, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2011
BOOK-ENTRY ONLY

Electronic bids (as described herein) will be received by the **TOWN OF CHESHIRE**, Connecticut (the "Town"), until 11:30 A.M. (E.S.T.) Tuesday,

February 15, 2011

for the purchase of all, but not less than all, of the \$8,675,000 Town of Cheshire, Connecticut General Obligation Bonds, Issue of 2011 (the "Bonds"). Electronic bids must be submitted via **PARITY®** (See "Electronic Bidding Procedures").

The Bonds

The Bonds will be dated February 15, 2011, mature in principal amounts of \$460,000 on July 15 in each of the years 2012-2017, both inclusive, and \$455,000 on July 15 in each of the years 2018-2030, both inclusive, bearing interest payable on July 15, 2011 and semiannually thereafter on January 15 and July 15 in each year until maturity, or earlier redemption, as further described in the Preliminary Official Statement for the Bonds dated February 8, 2011 (the "Preliminary Official Statement").

The Bonds maturing on or before July 15, 2018 are not subject to redemption prior to maturity. The Bonds maturing on July 15, 2019 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after July 15, 2018, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as percentages of the principal amounts of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	July 15, 2018 and thereafter	100%

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public or as fully registered certificates in the form described below. If issued in book-entry form, the Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Town or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The winning bidder may request that the Bonds be issued in the form of one fully registered physical

certificate, rather than in book-entry form through the facilities of DTC. The winning bidder seeking the issuance of the Bonds in this manner shall bear any and all costs of any re-registration or transfer of Bonds from time to time. Any bidder seeking to have the Bonds issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of its bid. The Town reserves the right to decline any request to issue the Bonds in non-book-entry form if it should determine, in its sole discretion, that issuing the Bonds in this manner is not in its best interests.

Nature of Obligation

The Bonds will be general obligations of the Town for payment of which the Town's full faith and credit will be pledged. The Bonds are payable unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

The Bonds SHALL 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.

Electronic Bidding Procedures

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

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

If any provisions of this Notice of Sale shall conflict with information provided by **PARITY®** as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 36th Street, 2nd Floor, New York, NY 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: www.parity@i-deal.com).

For purposes of the electronic bidding process, the time as maintained by **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Town, as described under "Bid Specifications/Basis of Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Bid Specifications/Basis of Award

Each bid must be for the entire \$8,675,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest will be considered.

The Town reserves the right to reject any and all proposals 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 and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

Basis of Award

For the purpose 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 February 15, 2011, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to February 25, 2011, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to six decimal places. Such statement shall not be considered as a part of the proposal. The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (E.S.T.) on February 15, 2011. The purchase price must be paid in Federal Funds.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank National Association, in Hartford, Connecticut. The legality of the Bonds will be passed upon by Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the final Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions (i) interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includible in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations, (iii) under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering the legal opinion, Robinson & Cole LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Town for the benefit of the owners of the Bonds, and further, will assume compliance by the Town with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Settlement of the Bonds

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

The Bonds will be available for delivery on or about February 25, 2011. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Town will not be responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

The Preliminary Official Statement is in a form "deemed final" by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 100 copies of the final Official Statement prepared for the Bonds at the Town's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the Town's financial advisor. If the Town's financial advisor is provided with the necessary information from the winning bidder by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Related Information

For more information regarding the Bonds and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement may be obtained from the undersigned, or from Mr. Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Tel. (203) 878-4945.

MICHAEL A. MILONE
Town Manager

PATTI-LYNN RYAN
Director of Finance/Town Treasurer

February 8, 2011

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