

NEW ISSUE: Book-Entry-Only

RATINGS: RATINGS: (See "Bond Ratings" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes and is not treated as a tax preference item 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 adjusted current earnings of corporations (as defined for federal income tax purposes), for purposes of computing the alternative minimum tax on corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax (See Appendix B, Form of Opinion of Bond Counsel and Tax Exemption).



Town of Wallingford, Connecticut

\$4,880,000

General Obligation Bonds, Issue of 2011

Bank Qualified

Dated: May 15, 2011

Due: Serially, May 15, 2012 - 2031

As detailed below:

Interest on the Bonds will be payable on November 15, 2011 and semiannually thereafter on May 15 and November 15 in each year until maturity. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC") New York, New York. The beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, redemption premium and interest payments on, the Bonds will be made by the Town, or its agent to DTC, or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. So long as Cede & Co. is the Bondholder, as nominee for DTC, reference herein to the Bond owner or owners shall mean Cede & Co., aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry-Only Transfer System" herein.)

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

Maturity Schedule

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2012	\$ 260,000	___%	___%	932508___	2022	\$ 155,000	___%	___%	932508___
2013	385,000	___%	___%	932508___	2023	155,000	___%	___%	932508___
2014	385,000	___%	___%	932508___	2024	155,000	___%	___%	932508___
2015	385,000	___%	___%	932508___	2025	155,000	___%	___%	932508___
2016	385,000	___%	___%	932508___	2026	155,000	___%	___%	932508___
2017	305,000	___%	___%	932508___	2027	155,000	___%	___%	932508___
2018	305,000	___%	___%	932508___	2028	155,000	___%	___%	932508___
2019	305,000	___%	___%	932508___	2029	155,000	___%	___%	932508___
2020	305,000	___%	___%	932508___	2030	160,000	___%	___%	932508___
2021	300,000	___%	___%	932508___	2031	160,000	___%	___%	932508___

Electronic bids via PARITY® for the Bonds will be received until 11:30 A.M. (E.D.T.) on Thursday, May 5, 2011, at Phoenix Advisors, LLC, 53 River Street, Suite 3, Milford, Connecticut.

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

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC or its agent via "FAST" on or about May 19, 2011. The Registrar, Transfer Agent, Paying Agent, and Certifying Agent will be U.S. Bank National Association.



No broker, dealer or salesman 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 by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds 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.

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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:	Thursday, May 5, 2011 at 11:30 A.M. (E.D.T).
Location of Sale:	The offices of Phoenix Advisors, LLC, 53 River Street, Suite 3, Milford, Connecticut.
Issuer:	Town of Wallingford, Connecticut (the "Town").
Issue:	\$4,880,000 General Obligation Bonds, Issue of 2011 (the "Bonds").
Dated Date:	May 15, 2011
Interest Due:	Interest due November 15, 2011 and semiannually thereafter on May 15 and November 15 in each year until maturity.
Principal Due:	Principal due serially, May 15, 2012 through May 15, 2031 as detailed in this Official Statement.
Authorization and Purpose:	The proceeds of the Bonds will be utilized for various general purpose, school and water projects as authorized by the voters of the Town of Wallingford.
Redemption:	The Bonds are subject to redemption prior to maturity, as herein provided.
Security and Remedies:	The Bonds will be general obligations of the Town of Wallingford, Connecticut, and the Town will pledge its full faith and credit to the payment of principal and interest on the Bonds when due.
Credit Rating:	Application for a rating on the Bonds has been made to Moody's Investors Service. Moody's has an outstanding underlying rating on the Town of "Aaa".
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Tax Exemption:	See "Tax Matters" herein.
Bank Qualification:	The Bonds <u>shall be</u> designated as qualified tax-exempt obligations by the Town under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Legal Opinion:	Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut will act as Bond Counsel.
Financial Advisor:	Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about May 19, 2011 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be directed to Mr. James M. Bowes, Comptroller, Town Hall, 45 South Main Street, Wallingford, Connecticut 06492. Telephone: (203) 294-2040.

I. Bond and Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Wallingford, Connecticut (the "Town"), in connection with the original issuance and sale of \$4,880,000 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. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the Town. 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 of the Official Statement. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated April 28, 2011, has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding.

The information in this Official Statement has been prepared by the Town's Financial Advisor, Phoenix Advisors of Milford, Connecticut from information supplied by Town officials and other sources. Phoenix Advisors does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. U.S. Bank National Association will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds.

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. The auditors have not provided their written consent to use their Independent Auditor's Report. The auditors have not been engaged nor performed audit procedures regarding the post audit period.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement (other than the matters expressly set forth as its opinion in Appendix B "Form of Opinion of Bond Counsel and Tax Exemption" herein) and makes no representation that it has independently verified the same.

The Bonds

The \$4,880,000 principal amount of the Bonds will mature on May 15 in each of the years as set forth on the front cover of this Official Statement. The Bonds will be dated May 15, 2011 and will bear interest at the rate or rates per annum specified by the successful bidder, payable on November 15, 2011 and semiannually thereafter on May 15 and November 15 in each year until maturity, as set forth on the cover of this Official Statement. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the last business day of April and October in each year, by check, mailed to the registered owner at the address as shown on the registration books of the Town kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree.

Optional Redemption

Bonds maturing on or before May 15, 2019 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2020 and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after May 15, 2019 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of 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 Prices</i>
May 15, 2019 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 redemption date to the registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

The Town, so long as a book-entry system is used for the Bonds, 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 a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amounts of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the 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 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.

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 registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

DTC Practices

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

Replacement Bonds

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

Security and Remedies

The Bonds will be general obligations of the Town of Wallingford, 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 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 of qualified disabled persons taxable at limited amounts. There was, however, no such classified property on the last completed Grand List of the Town, and, under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation debt (hereafter "debt") and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefore or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws 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. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. The Town of Wallingford, Connecticut has never defaulted in the payment of principal or interest on its Bonds or Notes.

Qualification for Financial Institutions

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.

Availability of Continuing Disclosure

The Town of Wallingford prepares, in accordance with State law, annual independent audited financial statements and files such annual report with the State Office of Policy and Management.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreement”), to provide or cause to be provided, in accordance with the requirements of the SEC Rule 15c2-12(b)(5) (the “Rule”), (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 failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The winning bidder’s obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the 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 event notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements.

Authorization and Purpose

The Bonds are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and the Charter of the Town of Wallingford.

Bonds - Projects

Proceeds of the Capital Project Bonds will be used to permanently finance the following projects:

Vernon E. Cleaves Regional Vocational Agricultural Center School: Pursuant to ordinances adopted by the Town Council, an appropriation and bond authorization in the amount of \$27,808,000 was approved for the planning, construction and equipment furnishing of a new free-standing regional Vocational-Agricultural school facility on the campus of Lyman Hall High School. This will house all classrooms, materials and equipment for this program. The Town is eligible for 95% grant reimbursement of eligible costs. The Town has been drawing down these grant funds in accordance with State Statutes throughout the project.

Whirlwind Hill Road Property Purchase: Pursuant to an ordinance adopted by the Town Council, an appropriation and bond authorization in the amount of \$305,000 was approved for all costs associated with the purchase of approximately 2.76 acres of real property on Whirlwind Hill Road. This abuts acreage formerly purchased by the Town for open space conservation efforts.

Dibble Edge Road Property Purchase: Pursuant to an ordinance adopted by the Town Council, an appropriation and bond authorization in the amount of \$350,000 was approved for all costs associated with the purchase of approximately 8.43 acres of real property on Dibble Edge Road. This abuts acreage formerly purchased by the Town for open space conservation efforts.

Sheehan High School Track and Field: Pursuant to ordinances adopted by the Town Council, an appropriation and bond authorization in the amount of \$330,000 was approved for all costs related to lighting at the running track and multiple use sports field.

MacKenzie Reservoir Project: Pursuant to ordinances adopted by the Town Council, an appropriation and bond authorization in the amount of \$3,170,000 was approved for the design, planning, construction and related costs associated with removing sediment from this reserve source of water. In addition to the Town’s general obligation pledge, Water Division rates will be established to pay the principal and interest.

Use of Proceeds

Project	Amount Authorized	Previously Bonded	Self Funded	Grants Received	The Bonds
Whirlwind Hill Road					
Property Purchase.....	\$ 305,000	\$ -	\$ 4,510	\$ -	\$ 290,000
Dibble Edge Road					
Property Purchase.....	350,000	-	367	-	330,000
Sheehan H.S. Track & Field Lighting.....	330,000	-	20,457	-	195,000
Cleaves Vocational Agriculture					
Education Building.....	27,808,000	-	110,000	21,784,934	1,245,000
MacKenzie Reservoir Sediment Removal Project.....	3,170,000	-	19,000	-	2,820,000
Total.....	\$ 31,963,000	\$ -	\$ 154,334	\$ 21,784,934	\$ 4,880,000

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 (the "Program").

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the Prior 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 Current Program, the State of Connecticut 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.

Ratings

The Town has made application to Moody's Investor's Service ("Moody's") for a rating on the Bonds. The Town's underlying rating on its outstanding bonds is 'Aaa' by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 99 Church Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's bonds.

The Town may issue short-term or other debt for which a rating is not required. The Town's financial Advisor, Phoenix Advisors, recommends that all bonded debt be submitted for a credit rating.

Bond Insurance

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

II. The Issuer

Map of CT will be inserted for FINAL OS

Description of the Municipality

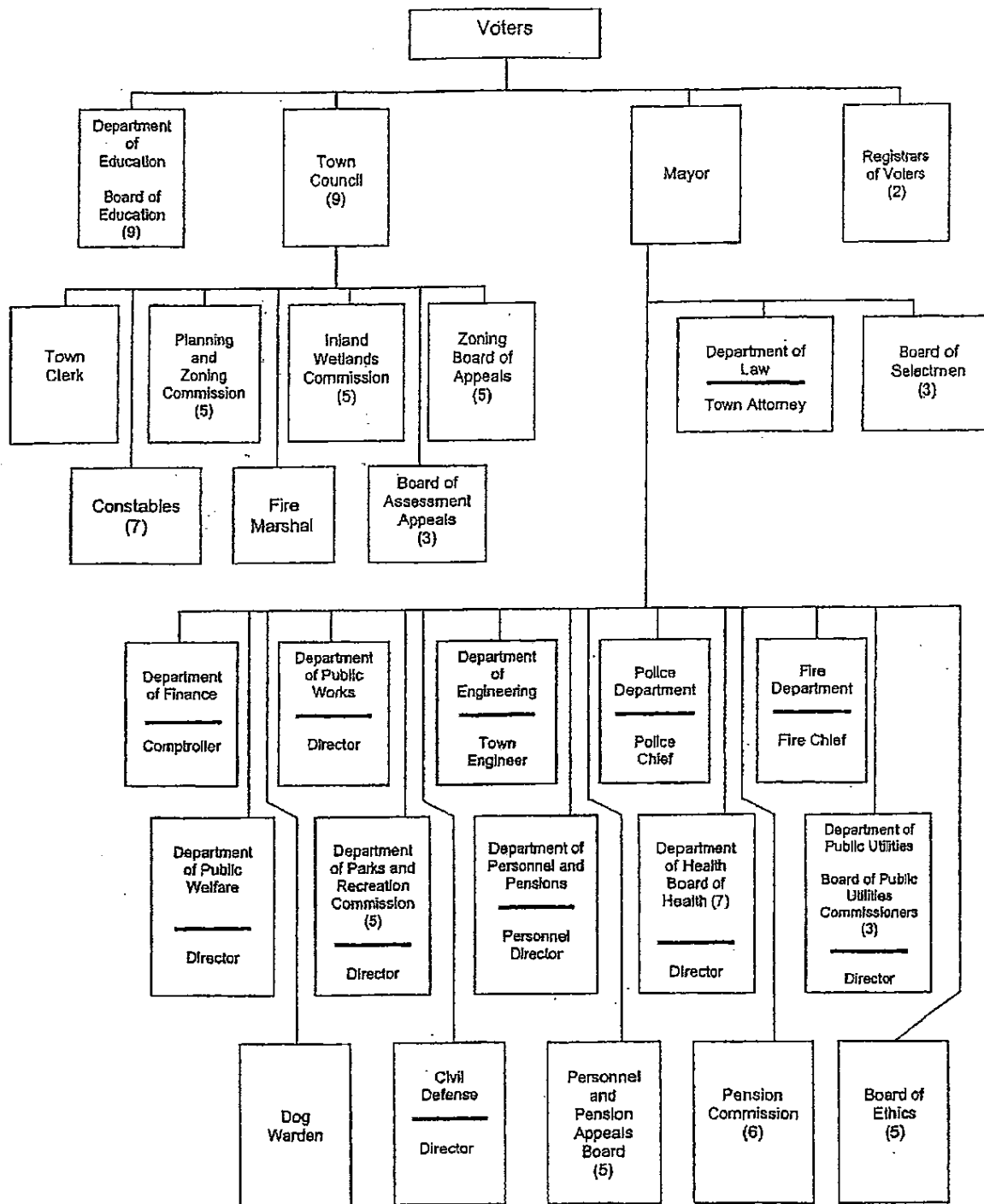
The Town of Wallingford covers an area of 39.8 square miles astride the Quinnipiac River in northern New Haven County. It is five miles south of Meriden and about thirteen miles north of New Haven. Situated along the Hartford-New Haven corridor, Wallingford is traversed, from north to south, by U.S. Highway 5, Interstate 91, and State Highway Number 15 (Wilbur Cross Parkway).

Wallingford was settled in 1638 and incorporated in 1670. A separate Borough of Wallingford was incorporated in 1853 but on June 3, 1957 the Borough and Town voted to consolidate effective January 1, 1958. The present Town Charter created the Mayor-Council form of government in 1962.

Passenger transportation is provided by Amtrak trains, and by local, and intrastate busses. Freight service is furnished by railroad and various motor common carriers. Air service is available at Tweed-New Haven Municipal Airport which is about thirteen miles south of Town and at Bradley International Airport which is approximately 40 miles north of Wallingford off Interstate 91. The Meriden Airport on the Wallingford/Meriden Town line is actively used for private, executive and corporate aircraft.

Currently, Wallingford is the 22nd largest community in Connecticut. The Town has diversified its commercial and industrial base over the past decade, attracting high-technology industries as compared to traditional heavy manufacturing. It is the home to a large variety of industries and major corporations spanning the spectrum of medical, health care, service, hi-tech, specialty metal manufacturing, and research development. The development of the Barnes Industrial Park, Casimir Pulaski Industrial Park, Wharton Brook Industrial Park, and the South Turnpike Road area have greatly contributed to this transition. The Bristol-Myers Squibb Company, the Town's largest taxpayer, has established a research and development facility in Wallingford's MedWay Industrial Park. An Interchange Zone which permits very restrictive commercial development of office parks, research and development centers and hotels has been created at the intersection of Interstate 91 and Route 68.

ORGANIZATION CHART



Description of Government

Wallingford has a Mayor-Council form of government. The current charter was adopted in June of 1961 and amended in 1969, 1973, 1981 and 1989. The Town Council consists of nine members with minority representation guaranteed. Elections for the Mayor, Council, Board of Education and other Town elected officials are held in November of each odd numbered year for a term of two years. The Mayor is elected separately from the Council. The Council elects a Chairman who is the presiding officer. Councilors are compensated as set by the annual budget ordinance, but no member shall hold any other appointive office or employment under the Town government during his term of office. The term of all elected officials commences on the first Monday after the succeeding January 1st. The Mayor casts the deciding vote in the event of a tie vote when filling a vacancy on the Council.

The Mayor, in accordance with the Town Charter is the Chief Executive Officer of the Town. He is directly responsible for the administration of all departments, agencies, and offices; ensures that all laws and ordinances governing the Town are executed; attends all Council meetings; makes reports to the Council; submits the annual budget to the Council, keeps the Council fully advised as to the financial condition of the Town; and exercises other powers and duties as may be required by ordinance or resolution of the Council. The Council cannot diminish, by ordinance, vote or otherwise, the powers and duties of the Mayor, except those powers and duties imposed on him by the Council.

The legislative power of the Town is vested exclusively in the Council except as otherwise provided in the Charter. The Council has the power to enact, amend or repeal ordinances consistent with the Charter or the General Statutes and has at least one public hearing before any ordinance is passed except ordinances relating to appointments or designation of officers or to the Council or its procedures. The electors have the power to approve or reject at a referendum instituted by written petition, as provided in the Charter, any ordinance including an ordinance or other action appropriating or committing money, except a budget ordinance or resolution appointing or removing officials, transfers within an approved fiscal budget specifying the compensation or hours of work of officials and employees, authorizing the levy of taxes or fixing of the tax rate. The electors may initiate a referendum within 30 days after approval of any resolution or ordinance by filing with the Town Clerk a petition signed by at least 10% of the registered voters at the last municipal election requesting such resolution or ordinance be either repealed or submitted to a vote of the electors.

Principal Municipal Officials

Office	Name	Manner of Selection	Term of Office	Employment Last Five Years
Mayor.....	William W. Dickinson, Jr.	Elected	1/10-1/12	Mayor
Town Council Chairman.....	Robert F. Parisi	Elected	1/10-1/12	Retired
Town Clerk.....	Barbara Thompson	Appointed	1/10-1/12	Realtor
Comptroller.....	James M. Bowes ¹	Appointed	Indefinite	Finance Director
Assessor.....	Shelby Jackson, III	Appointed	Indefinite	Assessor
Tax Collector.....	Richard J. Piekarski	Appointed	Indefinite	Tax Collector
Superintendent of Schools.....	Salvatore F. Menzo ²	Appointed	Contract	Superintendent

¹ Previously served as the Town of Southington's Director of Finance for ten years.

² Current contract runs through June 30, 2013.

Source: Finance Director's Office, Town of Wallingford

Municipal Services

The Town provides a full range of municipal services including public safety (police, fire, emergency medical services), streets, health and social services, solid waste disposal, parks, recreation, libraries, planning and zoning, education, utilities (electric, water and sewer) and general administrative services.

Police: The Police Department is responsible for the preservation of public peace, prevention of crime, apprehension of criminals, regulation of traffic, and the protection of the rights of persons and property. The Department is headed by a Chief of Police and consists of a Deputy Chief, 75 full-time police officers and 23 support staff.

The former State Armory was converted to a new central police headquarters in 1985. The 911 emergency dispatch was relocated from the Fire Department to the Police Department as part of a \$1.6 million computer aided dispatch, radio communications, and record keeping upgrade in December 1999.

Fire: The Fire Department, consisting of regular full-time paid and volunteer divisions, is responsible for the protection of life and property within the Town from fire and for the enforcement of all laws, ordinances and regulations relating to fire prevention and fire safety. The Department is headed by a Fire Chief and consists of a Deputy Chief, an Assistant Chief/Training Officer, 59 full-time firefighters, and 3 support staff.

The Town has four volunteer fire stations, one in each geographic quadrant. There are approximately 89 active volunteers. During the past decade, four new volunteer fire stations were constructed. The Town paid for these facilities on a “pay-as-you-go” basis.

The Town also has a separate Fire Marshal’s Department, comprised of a Fire Marshall and two Fire Inspectors.

Planning and Zoning: The Town Council appoints a five-member Planning and Zoning Commission to direct the Department. The Department employs a full-time Town Planner and a full-time Assistant Town Planner. A Plan of Conservation and Development was adopted in 1984 and is updated every 10 years. An updated Plan was last approved in 2005.

Education: The Wallingford public school system provides quality education to over 6,400 students. The system is comprised of two high schools (grades nine through twelve), two middle schools (grades six through eight), four elementary schools of third through fifth grade and four elementary schools of Kindergarten through second grade. In addition, an alternative high school (ALTA) and a vocational agricultural program are offered to students.

Recreation: The Recreation Department is advised by a five-member commission appointed by the Mayor. The Department is managed by a full-time director who plans and administers a wide variety of year-round activities. There are over 2,170 acres available for parks, trails and recreational activities which include softball, football, little league, basketball, tennis, soccer, hockey, indoor and outdoor swimming, gym programs and a host of arts and crafts courses. The Town acquired real property on a parcel of land of 3.79 acres in 1997. The facility was renovated and converted to a Recreation Center.

Public Works: The Department of Public Works has supervision and control of parks, the maintenance of Town-owned structures, except structures under the control of the Board of Education, and the planning, surveying, constructing and reconstructing, paving and repairing, and maintaining of highways, sidewalks, curbs, drains and other public improvements. The Department is managed by a full-time director, a superintendent and 47 full-time maintenance employees.

Department of Law: The Department of Law is the legal advisor to and represents the Town and all of its agencies, officers, boards, and commissions in all legal matters. The department consists of a full-time Town Attorney appointed by the Mayor, a full-time Corporation Counsel, and support staff. The Mayor may appoint additional attorneys as prescribed by the Charter.

Department of Personnel and Pensions: The Department of Personnel and Pensions is managed by a full-time personnel director. The Department makes provisions for appointments, promotions, removal of all personnel in the classified service of the town subject to provisions of the town charter, administers the town and non-teacher pension system, and supervises the Town’s risk management (insurance and Workers’ Compensation) programs.

Solid Waste Services: The following summarizes certain provisions of the Town’s solid waste service contract and related agreements. This summary is qualified in its entirety by reference to the documents themselves.

The Town and four other municipalities (Hamden, Meriden, Cheshire and North Haven) entered into a Municipal Solid Waste Delivery and Disposal Contract in December 2008 with Covanta Corporation to operate a mass-burn solid waste, resource recovery, steam and electric generation facility located in the Town (the “Facility”) and various improvements and facilities related thereto. The Facility is currently accepting and processing waste in accordance with Project guarantee criteria.

Under the Service Contract, which went into effect July 1, 2010, the Town is required to deliver or cause to be delivered to the System acceptable solid waste generated within its boundaries with a minimum commitment of 18,900 tons per year and to pay or cause to be paid a uniform per ton disposal service fee (the “Municipal Disposal Fee”) therefor. The Town does not provide municipal or contract solid waste collection. Private haulers contract directly with residences and businesses, collect fees from customers and pay the Municipal Disposal Fee to Covanta. A financial security system has been established to ensure payments by the private haulers. The aggregate minimum commitment of the five participating municipalities is 125,000 tons per year. System Revenue also includes revenues from the sale of electricity. The Municipal Disposal Fee for the current Fiscal Year 2010/2011 is \$65.00 per ton. Future increases are based on CPI, capped at 3.5% per year. The Town’s commitment to pay Municipal Disposal Fees is a “put/or/pay” commitment, in that if the aggregate minimum commitment of the five participating municipalities is not met by the total deliveries of all of the five participating municipalities or by other solid waste delivered to the System and if the Town did not meet its minimum commitment, then the Town must pay the Municipal Disposal fee for its proportionate share of the shortfall in the aggregate minimum commitment.

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

As the host community for the Facility, the Town receives payments in lieu of taxes from Covanta in excess of \$1.3 million annually. The five member municipalities, including Wallingford, approved this contract in December 2008 which is in force for the ten year period of July 1, 2010 through June 30, 2020 plus two (2) five year renewal options at the same terms as the initial 10 year term. The Towns have the option to purchase the Facility at fair market value in year 20.

Department of Public Utilities: The Department of Public Utilities is responsible for the Electric, Water and Sewer divisions of the Town of Wallingford, under the jurisdiction of a Board of Public Utility Commissioners consisting of three members appointed by the Mayor and confirmed by the Town Council. A single Commissioner is appointed or reappointed on March 1 of each year. The Town Council has oversight of the actions of the board and may veto any action, except personnel appointments, by a positive act of seven or more affirmative votes within fifteen days of any due action. The Commissioners appoint a Director of Public Utilities who is responsible for the efficient and economical operation of the Department. The Town’s Comptroller, by Charter, is the fiscal officer of the Utility Department.

Electric Division: The Electric Division, created in 1899, is operated by a General Manager and staff. The Division serves approximately 24,400 customers located primarily in the Town of Wallingford and the adjoining Northford section of the Town of North Branford. Operating revenues for the Fiscal Year ended June 30, 2010 were approximately \$77.556 million. Base electric rates were not increased for the fiscal 2010-11 fiscal year and increased by approximately 1 percent for fiscal year 2011-12.

In 2001, a 250 megawatt (mW) generating facility fueled by natural gas was constructed on the site of the former Alfred Pierce Generating Station. The Town of Wallingford leased the property to PPL Wallingford Energy. This project was completed and went commercial in late 2001. PPL Wallingford Energy is a totally independent operation from the Wallingford Electric Division. The Electric Division will receive annual lease payments of \$550,000, which commenced in August 2001 and will run for approximately 25 years. PPL Wallingford Energy is responsible for the operation, marketing, and contracting for the output of energy produced by the facility. The Town also receives tax payments on the personal property at the plant. In addition to the lease and tax payments, the utilities receive revenues for the water, sewer, and electric services supplied to the plant.

PPL Wallingford Energy also constructed a third 115 kV transmission line and rebuilt the East Street distribution substation into a ring bus configuration. This revised high-voltage substation provides increased reliability to Electric Division customers served by the East Street station. The project also provides that at least one

generation unit will be available under “black start” conditions in order to provide emergency generation capacity to the East Street substation. The Lease, Host Community, and Utility Service Agreements were executed between the Town and PPL Wallingford Energy in March 2001.

Power Supply Agreements

On January 1, 1995, the Town entered into a System Power Sales Agreement (the “SPSA”) with the Connecticut Municipal Electric Energy Cooperative (“CMEEC”) and Connecticut Light & Power Company (“CL&P”), a wholly owned subsidiary of Northeast Utilities (“NU”), and an Electric Power Supply Contract (“Power Contract”) with CMEEC. The SPSA and Power Contract each have initial 10-year terms, with two five-year renewal options. The Power Contract is a “full requirements” contract pursuant to which Wallingford is required to purchase from CMEEC and CMEEC is required to sell to Wallingford essentially all electric capacity and energy which Wallingford requires for sale at retail. The Power Contract was extended for an additional 3 years extending the term of the contract through December 31, 2012. Reference is made to the Notes to Financial Statements in the “Basic Financial Statements – Appendix A” of this Official Statement for further details of these contracts and related items.

CMEEC is a public corporation organized under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction, and operation of facilities for the generation and transmission of electric power and energy for its Members and others. The Act permits any Connecticut municipality that has an electric utility department to become a CMEEC Member. CMEEC Members are the Cities of Norwich and Groton, the Borough of Jewett City, the Second Taxing District of the City of Norwalk, and the Third Taxing District of the City of Norwalk. These entities and the Town of Wallingford are the only Connecticut communities that have municipally owned electric utilities. CMEEC, on behalf of its Members and Wallingford, acts as a single integrated participant to New England Power Pool (NEPOOL) under the NEPOOL Agreement.

Wallingford is not a member of CMEEC, but the Power Contract enables it to purchase electric power and energy from CMEEC and confers other rights and responsibilities on Wallingford on essentially the same terms as CMEEC Members. Wallingford is entitled to participate in and vote at CMEEC Board of Director Meetings, provided however, in any instance where the vote of Wallingford would result in a tie or change the result, the vote is required to be recast excluding Wallingford. During the term of the Power Contract Wallingford may seek to become a Member of CMEEC upon terms and conditions as CMEEC and Wallingford may agree, and the CMEEC Board of Directors has endorsed the concept of the Town’s membership in CMEEC.

Pursuant to the Power Contract, Wallingford has covenanted to maintain electric rates which together with other sources of revenue, will provide sufficient resources to meet its payment obligation to CMEEC under the Power Contract.

All payments due to CMEEC under the Power Contract are agreed to constitute operating expenses of the Electric Division and shall not be subordinated to any other obligations of Wallingford. In addition, Wallingford has agreed not to execute or adopt any instrument securing or issuing bonds, notes, leases or other evidences of indebtedness which are payable from and secured by liens on the revenue derived from the ownership or operation of its electric system without providing for the payment of operating expenses (including payment to be made under the Wallingford Power Sales Contract) from such revenues ahead of debt service on such bonds, notes, leases or other evidences of indebtedness.

During fiscal year 2006-07, the Town entered into a contract with CMEEC to rehabilitate a generating facility that was decommissioned with the leasing of its power generating capability to P.P & L in 2001. CMEEC has sold bonds to finance the construction of an 84 megawatt natural gas powered peaking plant on the grounds of the Town’s Electric Plant. This has allowed CMEEC to enter bids in the Forward Capacity Market for New England and receive payments for having the capacity and ability to generate and distribute electric power to the New England power grids upon demand. Revenues generated from bidding in this market are expected to exceed the cost of the debt repayment. The net amount, if any, will be credited to the CMEEC participants, including the Wallingford Electric Division, as reductions in purchased power costs. In addition, the Town will receive \$300,000 annually from CMEEC for lease of this property (\$150,000 to Electric and \$150,000 to the General Fund).

Water Division: The Water Division is supervised by the General Manager of Water and Sewer. The Division operates a filter plant and maintains four reservoirs with storage capacity of 1.9 billion gallons and three wells with production capacity of 2.7 million gallons daily. Average production is about 4.3 million gallons per day, with a peak usage of 8.4 million gallons in one day. There are approximately seven miles of raw water mains, 198 miles of finished water mains, 1,298 public hydrants, five booster stations and three raw water transfer stations. The Division serves over 13,200 customers and 348 fire line and hydrant customers. Revenues from the water use for

Fiscal Year ended June 30, 2010 were approximately \$5.871 million. A 7% average rate increase was instituted in 2011. The Water Division is also planning to use accumulated reserves to offset any operating losses.

Sewer Division: The Sewer Division is also supervised by the Water and Sewer Manager, and is responsible for treating domestic waste water. The Division serves approximately 13,100 customers, comprising approximately 88% of the residences in Wallingford. The sewage treatment plant is designed to treat an average maximum flow of eight million gallons per day. Revenues from sewer user fees for Fiscal Year ended June 30, 2010 were approximately \$4.941 million. Sewer rates were increased by approximately 19% in June of 2010. The Sewer Division is also planning to use accumulated reserves to offset any operating losses.

Over the last three years, Sewer Division installed new pumping, pipe and other infrastructure to meet new standards established by the State of Connecticut Department of Environmental Protection for reducing nitrogen discharges from sewer effluent entering the Quinnipiac River and ultimately Long Island Sound. During Fiscal Year 2005-06 the Town received loan proceeds of \$2.0 million from the State of Connecticut under its Clean Water Program to offset these expenses. The loan carries an interest rate of 2% and will be repaid by the Sewer Division over the next 15 years.

The Sewer Enterprise Fund is completely self-supporting. Since fiscal 1985 all assets of the sewer division are depreciated annually and recognized in the sewer use rate.

Employee Relations and Collective Bargaining

Municipal Employees

<i>Department</i>	<i>Paid Positions</i>
General Government.....	19
Finance	29
Public Works.....	48
Engineering	7
Persomel & Pensions.....	6
Police.....	98
Fire.....	65
Public Utilities:	
Electric Division.....	59
Water Division.....	38
Sewer Division.....	29
Recreation.....	7
Other Services.....	15
<i>Total Government.....</i>	420
Teachers.....	587
Administration.....	30
Custodial and Maintenance.....	37
Other.....	283
<i>Total Education.....</i>	937

<i>Fiscal Year Ending</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
General Government.....	420	422	422	422	417
Board of Education.....	937	1,027	1,027	982	977
<i>Total.....</i>	1,357	1,449	1,449	1,404	1,394

Source: Town Officials

Employee Bargaining Groups

<u>Bargaining Groups</u>	<u>Positions Covered</u> ¹	<u>Current Contract Expiration Date</u>
General Government		
Public Works, Clerical, Engineering - Local 1183 - Council #4 American Federation of State, County & Municipal Employees AFL-CIO.....	107	6/30/2013
Police - The Wallingford Police Union Local #1570 and Council #15 AFSCME, AFL-CIO.....	75	6/30/2012
Fire - Local #1326, International Association of Fire Fighters AFL-CIO.....	61	6/30/2012
Supervisory - Local #424, United Public Service Employees Union.....	30	12/31/2009 ³
Sub-Total.....	273	
Public Utility Commission		
Electric Production - Local #457, Int'l Brotherhood of Electrical Workers....	30	8/31/2012
Electrical Clerical - Local #457, Int'l Brotherhood of Electrical Workers.....	13	6/30/2012
Water - Local #457, United Public Service Employees Union.....	26	6/30/2013
Sewer, Clerical - Local 1183, Americal Federation of State, County & Municipal Employees.....	23	6/30/2013
Supervisory - Local #424, United Public Service Employees Union.....	23	12/31/2009 ³
Sub-Total.....	115	
Board of Education Unions		
Teachers - Wallingford Education Association.....	587	8/31/2012
Custodial, Maintenance - Local #1303, Council #4, AFSCME, AFL-CIO.....	37	9/30/2012
Clerical, Secretarial - Local #1303, Council #4, AFSCME, AFL-CIO.....	64	9/30/2012
School Cafeteria - Local #1303, Council #4, AFSCME, AFL-CIO.....	49	8/31/2012
Nurses - Connecticut Health Care Associates.....	14	6/30/2012
Principals, Supervisors, Directors - Educational Administrators' Assn. of Wallingford.....	21	6/30/2011 ²
Supervisors - Local #26, United Public Service Employees Union.....	6	6/30/2010 ³
Paraprofessionals - Connecticut Independent Labor Union.....	148	8/31/2013
Sub-Total.....	926	
Grand Total.....	1,314	

¹ Regular full and part time. Based on Full Time Equivalent (FTE).

² In negotiation.

³ In arbitration.

Source: Town of Wallingford

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State 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. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a Town, 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 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.

Educational System

The Board of Education, operating with the powers granted to it by Connecticut General Statutes, serves as the policy-making body for the Town's educational system, and provides overall control and management of the schools. The Wallingford School system (grades K-12) is a dependent unit of the Town of Wallingford.

The Town of Wallingford has authorized borrowing \$72,367,000 for major renovations to eleven school buildings. These renovations are in part to increase capacity in certain school buildings. The Town expects but cannot guarantee that approximately 40 percent of project costs will be funded by the State of Connecticut and to additionally self-finance a portion of the overall costs.

School Facilities

School ¹	Grades	Date of Construction (Remodeling)	Number of Classrooms	10/1/2010 Enrollment ²	Rated Capacity ¹
Moses Y. Beach.....	K-2	1951, 1990, 2003	24	378	600
Highland.....	K-2	1958, 1970, 2005	24	352	525
Rock Hill.....	K-2	1959, 1971, 2005	21	354	525
Evart Stevens.....	K-2	1962, 1990, ² 2005	25	383	625
Cook Hill.....	3-5	1964, 1990, ² 1992, 2006	24	300	700
Pond Hill.....	3-5	1968, 1990, ² 2006	23	339	575
Parker Farms.....	3-5	1983, 1987, ³ 1990, ² 2006	25	342	500
Yalesville.....	3-5	1986, 1996, ⁴ 2006	40	387	975
James Moran.....	6-8	1961, 1995, 1997, 2005	62	814	1,000
Dag Hammeraskjold..	6-8	1962, 1982, 1995, 1997, 2006	46	713	1,000
Lyman Hall.....	9-12	1957, 1960, 1968, 1980, 1992, 1998, 2006	74	1,138	1,400
Mark T. Sheehan.....	9-12	1971, 1991, 2005	60	958	1,100
Total.....			448	6,458	9,525

¹ All of Wallingford's schools are constructed of steel, brick and concrete.

² Portable classrooms added to existing facility.

³ Facility closed in 1983 and re-opened in 1987 following renovations.

⁴ Facility closed in 1986, renovated, expanded and reopened in September 1996.

Source: Wallingford Board of Education.

School Enrollment

School Year	K-5	6-8	9-12	Special Education ¹	Total
<u>Historical</u>					
2003-04	3,282	1,711	2,166	79	7,159
2004-05	3,223	1,696	2,226	79	7,145
2005-06	3,064	1,669	2,219	79	6,952
2006-07	3,001	1,683	2,185	79	6,869
2007-08	2,957	1,591	2,175	85	6,723
2008-09	2,969	1,554	2,155	85	6,678
2009-10	2,896	1,539	2,160	85	6,595
2010-11	2,835	1,527	2,096	79	6,458
<u>Projected</u>					
2011-12	2,724	1,513	2,102	79	6,339
2012-13	2,724	1,484	2,059	79	6,267
2013-14	2,754	1,432	1,929	80	6,115
2014-15	2,731	1,448	1,906	81	6,085

¹ Not included in Totals.

Source: Wallingford Board of Education.

Economic Factors

The national economic recession has caused industrial, commercial and residential construction to stagnate. As a result, the growth of the Town of Wallingford's Grand List, a summary of all taxable property, has slowed as compared to the growth experienced in past years. The taxable Grand List of October 1, 2009, which is in effect for fiscal year 2010/2011, grew only by \$10,000 over the 2008 Grand List. The Grand List of October 1, 2010, which will be in effect for fiscal year 2011/2012, declined to \$4.169 billion from \$4.304 billion the previous year. This decline, however, is all attributable to the implementation of new property values due to the State-mandated process of revaluation. If not for the revaluation process, the Town estimates that the Grand List would have grown by slightly less than 1%.

One positive economic sign is the strength of residential property values. The revaluation process of the October 1, 2010 Grand List resulted in the average assessed residential parcel declining approximately 3% as compared to the previous year. This is in sharp contrast to steep real estate market value decline in other regions of the state and nation.

A primary goal of the Town of Wallingford is to maintain and expand a diversified industrial and commercial tax base. The Town heavily promotes its five office and industrial parks and the Interchange Zone. The office and industrial parks primarily house small to mid-sized manufacturers in a wide array of industries. The Interchange Zone, approximately 362 acres located at the intersection of Interstate 91 and State Route 68, is zoned for development of office parks, research and development centers and hotels. The Town also utilizes a tax incentive program to attract new businesses into these areas. This program abates 20% of real estate taxes for seven years for companies that relocate to these areas and construct at least 60,000 square feet of new facilities costing \$12 million or more.

Total Real Estate Assessments and Taxes Generated for Each Industrial Park Based on the October 2010 Grand List

	Net Real Estate Assessment	Net Personal Prop. Assessment	Total	Taxes At 25.22 mills ¹ (Pro forma)	Acres	Approximate Number of Businesses
North Plains	\$ 65,719,600	\$ 23,897,419	\$ 89,617,019	\$ 2,260,141	257	289
Barnes	91,774,220	67,209,893	158,984,113	4,009,579	468	118
Med-Way	137,076,100	19,509,165	156,585,265	3,949,080	439	37
Interchange	51,614,000	5,133,633	56,747,633	1,431,175	375	41
Centract	14,295,900	2,200,900	16,496,800	416,049	51	15

Source: Assessor's office 10/1/2010 Grand List.

¹Mill rate of 25.22 recommended for 2011/12 Mayor's budget. Budget and mill rate not formally adopted until mid-May 2011.

The following summarizes the recent major results of these efforts:

- Workstage Inc. completed exterior construction of a 300,000 square foot corporate building. Originally targeted as headquarters for Mortgage Lenders Network (which has ceased operations), the building has been sold to Wellpoint Healthcare Inc. and will be the regional headquarters for Anthem of Connecticut. Anthem, a large national health insurer, will begin moving its regional operations from its North Haven facility in the fall of 2011 and complete the move by the fall of 2012. Anthem will complete the interior construction of this facility and will employ over 1,000 people here by the end of 2012.
- A new 90,300 square foot medical office building was constructed for physicians associated with Mid-State Medical Center of Meriden.
- Masonic Health Care Center has constructed a 65,000 square foot activity center and a 24,300 square foot office building on their campus.
- Fastenal Industries, a maker of fasteners, has relocated its manufacturing operations to Wallingford from other areas of the state, bringing about 100 new jobs to Town.
- New buildings approximating 37,000 square feet were constructed for two companies new to Town: Abel Womack, Inc. and Connecticut Power and Sport.
- Ulbrich Stainless and Special Metals Inc., a long time corporate resident, constructed 11,000 square feet of new manufacturing space.

In addition to activity in the commercial and industrial parks, Connecticut Light and Power has completed construction of a new electrical sub station and upgraded related infrastructure which added \$20 million to the taxable Grand List over the last two years.

State Route 5 is a large retail hub. Moderate economic growth and activity along this major artery continues. Sonic Restaurants and Rite Aid Pharmacy are recent additions to this area.

Employment diversification is demonstrated by Wallingford's major employers. The top fifteen employers include such areas as pharmaceutical research and development, cellular communications, mail processing and distribution, private hospitals, spas, plastics and resin manufacturing, financial services, dental products manufacturing, diagnostic laboratories, retailers, internet technology and a private school.

Wallingford continues to have available, attractive residential land for new home sites. Although new home construction has slowed, housing values remain relatively stable. New home prices range in value from \$250,000 to \$600,000. All infrastructure improvements, including roads, sidewalks, storm drainage, and municipal water and sanitary sewers (where available) are installed per Town regulations at the developer's expense. The Town has adopted the State Uniform building code with modifications and employs fulltime building, plumbing, electrical and sanitary inspectors to enforce code requirements.

Major Town Initiatives

Construction was completed on the Vernon E. Cleaves Regional Vocational Agricultural Center School. This facility, which was constructed on the campus of Lyman Hall High School, houses all classrooms, materials and equipment for the vocational agricultural education program. The State has provided 95% grant funding of this \$27.8 million project.

The Town has nearly completed work on the MacKenzie Reservoir Sediment Removal Project. This project was undertaken to increase the capacity of one of the Town's sources of potable water. These project costs will be bonded and repaid through water rates.

The Town implemented new tax and utility billing and collection software during fiscal year 2010/2011. New financial system software for the general government and utilities will be implemented during fiscal year 2011/2012. The Town budgeted funds annually over the last several years and reserved them for utilization until sufficient to cover the costs.

The Board of Education embarked upon a program to redesign the grade composition of the eight elementary schools. Each of the eight middle schools were kindergarten through fifth grade. Beginning with the school year in August 2010, four of these schools were reconfigured as kindergarten through second grade, which now will feed the students into four reconfigured third through fifth grade schools. This will hopefully provide educational opportunities specific to the needs of these two age groups. In addition, financial savings were achieved due to reallocation of resources, especially teaching personnel and realignment of students to level class sizes.

III. Economic and Demographic Information

Population and Density

Year	Actual Population¹	% Increase	Density²
2009 ³	44,881	4.3%	1,128
2000	43,026	5.4%	1,081
1990	40,822	9.5%	1,026
1980	37,274	4.4%	937
1970	35,714	19.4%	897
1960	29,920	--	752

¹ 1950-2000, U.S. Department of Commerce, Bureau of Census.

² Per square mile: 39.8 square miles.

³ State of Connecticut Department of Public Health. July 1, 2009.

Age Distribution of the Population

Age	Town of Wallingford		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	2,612	6.10%	223,344	6.60%
5 - 19.....	8,453	19.60%	702,358	20.60%
20 - 44.....	15,069	35.00%	1,220,260	35.80%
45 - 64.....	10,346	24.10%	789,420	23.20%
65 - 84.....	5,374	12.50%	405,910	11.90%
85 and over.....	1,172	2.70%	64,273	1.90%
Total.....	43,026	100.0%	3,405,565	100.0%
Median Age (Years).....		39.1%		37.4%

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

Income Distribution

Income	Town of Wallingford		State of Connecticut	
	Families	Percent	Families	Percent
\$ 0 - \$ 9,999.....	181	1.5%	33,423	3.8%
10,000 - 14,999.....	192	1.6%	23,593	2.7%
15,000 - 24,999.....	785	6.7%	63,262	7.1%
25,000 - 34,999.....	850	7.3%	75,413	8.5%
35,000 - 49,999.....	1,512	12.9%	120,134	13.6%
50,000 - 74,999.....	3,030	26.0%	198,924	22.5%
75,000 - 99,999.....	2,411	20.6%	141,981	16.0%
100,000 - 149,999.....	1,927	16.5%	132,177	14.9%
150,000 - 199,999.....	547	4.7%	42,472	4.8%
200,000 and over.....	252	2.2%	54,368	6.1%
Total.....	11,687	100.0%	885,747	100.0%

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

Income Levels

	<u>Town of Wallingford</u>	<u>State of Connecticut</u>
Per Capita Income, 1999.....	\$25,947	\$28,776
Per Capita Income, 1989	\$18,231	\$20,189
Per Capita Income, 1979.....	\$8,181	\$8,598
Median Family Income, 1999.....	\$68,327	\$65,521
Median Family Income, 1989.....	\$49,478	\$49,199
Percent Below Poverty Level 1999	3.60%	7.90%

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

Educational Attainment Persons 25 Years and Older

	<u>Town of Wallingford</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	1,556	5.2%	132,917	5.8%
9th to 12th grade.....	2,564	8.5%	234,739	10.2%
High School graduate.....	9,594	31.7%	653,300	28.5%
Some college, no degree.....	5,613	18.6%	402,741	17.5%
Associate's degree	2,178	7.2%	150,926	6.6%
Bachelor's degree.....	5,446	18.0%	416,751	18.2%
Graduate or professional degree.....	3,247	10.8%	304,243	13.3%
Total.....	30,198	100.0%	2,295,617	100.0%
Total high school graduate or higher (%).....		86.4%		84.0%
Total bachelor's degree or higher (%).....		28.8%		31.4%

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

Employment by Industry

Sector	<u>Town of Wallingford</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing and hunting, and mining.....	84	0.4%	7,445	0.4%
Construction.....	1,302	5.8%	99,913	6.0%
Manufacturing.....	3,738	16.7%	246,607	14.8%
Wholesale trade.....	950	4.2%	53,231	3.2%
Retail trade.....	2,580	11.5%	185,633	11.2%
Transportation and warehousing, and utilities.....	1,031	4.6%	64,662	3.9%
Information.....	929	4.1%	55,202	3.3%
Finance, insurance, real estate, and rental and leasing.....	1,913	8.5%	163,568	9.8%
Professional, scientific, management, administrative, and waste management services.....	1,954	8.7%	168,334	10.1%
Education, health and social services.....	5,228	23.4%	366,568	22.1%
Arts, entertainment, recreation, accommodation and food services.....	1,176	5.2%	111,424	6.7%
Other services (except public administration).....	742	3.3%	74,499	4.5%
Public Administration.....	809	3.6%	67,354	4.0%
Total Labor Force, Employed.....	22,436	100%	1,664,440	100%

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

Employment Data ¹
By Place of Residence

Period	Town of Wallingford		Percentage Unemployed		
	Employed	Unemployed	Town of Wallingford	New Haven Labor Market	State of Connecticut
February 2011.....	23,424	2,291	8.9	9.9	9.6
<u>Annual Average</u>					
2010.....	23,801	2,156	8.3	9.2	9.0
2009.....	23,827	1,923	7.5	8.2	8.2
2008.....	24,292	1,312	5.1	6.0	5.8
2007.....	24,449	1,012	4.0	4.8	4.5
2006.....	24,174	953	3.8	4.5	4.3
2005.....	23,602	1,058	4.3	5.0	4.9
2004.....	23,469	1,023	4.2	4.9	4.9
2003.....	23,228	1,189	4.9	5.4	5.5
2002.....	23,206	894	3.7	4.1	4.4
2001.....	23,067	718	3.0	3.2	3.3

¹ Not seasonally adjusted.

Source: State of Connecticut, Department of Labor.

Major Employers
As of March 2011

Employer	Business	Number of Employees
Town of Wallingford.....	Municipality	1,357
Bristol-Meyers Squibb Company.....	Pharmaceutical R & D	1,150
Verizon Wireless.....	Cellular Wireless Communications	752
U.S. Postal Service Processing Center.....	Mail Distribution and Processing	712
Masonic Health Care Center.....	Hospital	605
Gaylord Hospital.....	Medical & Rehabilitation Facility	466
Quest Diagnostics, Inc.....	Diagnostic Laboratories	454
Davidson Company.....	Wholesale Food Distributor	288
Choate Rosemary Hall.....	Private School	258
Community Health Network of CT.....	Nonprofit Managed Care	247

Source: Town of Wallingford.

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Building Permits

<i>Fiscal Year Ending 6/30</i>	<i>Single Family</i>		<i>Apartments</i>		<i>Commerical/Indust.</i>		<i>Other</i>		<i>All Categories</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2010	33	\$ 4,293	40	\$ 3,130	5	\$ 2,606	492	\$ 12,384	570	\$ 22,413
2009	19	2,602	14	1,035	3	1,175	534	35,867	570	40,679
2008	31	6,138	78	11,544	10	31,000	580	7,140	699	55,822
2007	29	6,608	94	13,748	17	44,615	620	8,401	760	73,372
2006	87	12,436	8	1,710	17	7,407	788	29,274	900	50,827
2005	119	16,845	11	2,918	7	2,679	810	34,243	947	56,685
2004	103	12,910	54	2,287	12	3,063	719	34,671	888	52,931
2003	136	14,557	-	-	106	3,822	668	21,871	910	40,250
2002	129	15,728	-	-	96	9,362	660	17,138	885	42,228
2001	119	14,155	12	443	84	6,225	621	19,390	836	40,213

Source: Building Department, Town of Wallingford.

Age Distribution of Housing

<i>Year Built</i>	<i>Town of Wallingford</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
1939 or earlier.....	3,271	18.9%	308,896	22.3%
1940 to 1969.....	6,769	39.0%	571,218	41.2%
1970 to 1979.....	2,622	15.2%	203,377	14.7%
1980 to 1989.....	2,954	17.1%	183,405	13.2%
1990 to March, 2000.....	1,690	9.8%	119,079	8.6%
Total Housing Units, 1999.....	17,306	100.0%	1,385,975	100.0%
Percent Owner Occupied, 1999.....		72.7%		66.8%

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

Housing Inventory

<i>Year Built</i>	<i>Town of Wallingford</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
1 unit detached.....	10,731	62.0%	816,706	58.9%
1 unit attached.....	1,024	5.9%	71,185	5.1%
2 to 4 units.....	2,988	17.3%	246,617	17.8%
5 to 9 units.....	573	3.3%	76,836	5.6%
10 or more units.....	1,721	9.9%	162,437	11.7%
Mobile home, trailer, other	269	1.6%	12,194	0.9%
Total Inventory.....	17,306	100.0%	1,385,975	100.0%

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

Owner-Occupied Housing Values

Specified Owner-Occupied Units	Town of Wallingford		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	73	0.7%	5,996	0.8%
\$50,000 to \$99,000.....	770	7.4%	85,221	11.7%
\$100,000 to \$149,999.....	3,450	33.0%	212,010	29.1%
\$150,000 to \$199,000.....	3,288	31.4%	156,397	21.5%
\$200,000 to \$299,999.....	2,358	22.6%	137,499	18.9%
\$300,000 to \$499,999.....	470	4.5%	79,047	10.9%
\$500,000 to \$999,999.....	34	0.3%	38,168	5.2%
\$1,000,000 or more.....	7	0.1%	13,906	1.9%
Total.....	10,450	100.0%	728,244	100.0%
Median Sales Price.....	\$ 161,900		\$166,900	

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

Land Use Summary

Land Use Category	Town Area 24,920 Acres	
	Number of Acres	% of Total
Residential		
R - 6-18.....	6,215	
RM - 6-40.....	474	
Rural - 40-120.....	13,074	
HOD.....	27	
Sub-Total.....	19,790	79.4%
Business/Commercial		
LB - 11.....	71	
CA - 6-40.....	143	
CB - 12-40.....	459	
DD - 40.....	233	
RF - 40.....	400	
Sub-Total.....	1,306	5.2%
Industrial		
I-5.....	364	
I - 20-40.....	1,637	
IX - Industrial Expansion.....	1,823	
Sub-Total.....	3,824	15.3%
TOTAL TOWN ACREAGE.....	24,920	100.0%

Source: Planning Department, Town of Wallingford; "Envision Wallingford 2015": June, 2003.

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IV. Tax Base Data

Property Tax

Assessments

The Town of Wallingford had a general property revaluation by physical inspection effective October 1, 2010, which goes into effect for the fiscal year 2011/2012. Section 12-62 et. seq. of the Connecticut General Statutes govern real property assessments and establish the revaluation cycle for Connecticut municipalities of a revaluation every five years and, generally, a physical inspection every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute 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 by locating and appraising all real and personal property within the Town for inclusion on the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax exempt real estate, taxable personal property, and motor vehicles located within the Town as of October 1. Assessments are computed at seventy percent (70%) of the market value at the time of last revaluation. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for the Towns' annual tax levy. Any property owner may seek to appeal its assessment by filing a written appeal to a Town's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a Town's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court.

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

Motor vehicle lists are furnished to municipalities by the State of Connecticut Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of The Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date are subject to property tax as follows: 1) vehicles registered subsequent to November 1 but prior to the following August 1, are subject to a prorated tax based on the period of time from the date of registration until the following October 1; 2) vehicles purchased in August and September are not taxed until the next October 1 Grand List. With respect to replacement vehicles (as compared to additional vehicles) Section 12-71b provides for similar prorating of taxes on the new vehicle and a credit with respect to taxes due on the replaced vehicle during the assessment year.

All commercial personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Section 12-124a of the Connecticut General 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 4% 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. The Town Council has enacted the use of this abatement provision on January 1, 2009.

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.

Property Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1 and January 1. Real estate and personal property taxes of less than \$50 are due in full in July. Personal property taxes are payable in one installment on July 1 with motor vehicle supplemental bills payable on January 1. Payments not received by August 1 and February 1 become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Comparative Assessed Valuations

Grand List of 10/1	Residential Real Property (%)	Commercial Real Property (%)	Industrial Real Property (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemption ¹	Net Taxable Grand List	Percent Growth
2010 ²	64.2	12.4	7.9	8.1	7.4	\$ 4,326,224,939	\$ 157,154,309	\$ 4,169,070,630	(3.15)
2009	65.1	14.2	6.5	7.3	6.9	4,453,039,274	148,450,198	4,304,589,076	0.00
2008	63.3	13.7	6.3	10.0	6.7	4,431,431,414	126,852,785	4,304,578,629	1.00
2007	65.0	13.9	6.4	7.6	7.1	4,375,315,549	113,399,499	4,261,916,050	2.25
2006	65.9	14.0	6.1	6.9	7.1	4,272,236,102	104,096,147	4,168,139,955	0.48
2005 ²	64.0	14.8	5.1	9.1	7.0	4,241,712,011	93,492,049	4,148,219,962	32.95
2004	57.3	14.7	6.5	12.2	8.2	3,223,429,387	103,241,281	3,120,188,106	2.16
2003	57.5	15.0	6.8	12.5	8.2	3,164,559,892	110,348,393	3,054,211,499	1.09
2002	57.2	15.0	6.7	12.5	8.4	3,135,460,827	114,189,800	3,021,271,027	2.10
2001 ²	58.0	15.0	6.0	12.7	8.3	3,091,484,280	132,377,221	2,959,107,059	--

¹ Connecticut General Statutes Section 12-81 (72) exempts new manufacturing equipment from property taxation by municipalities. The State of Connecticut will directly reimburse the Town for 80% of the foregone taxes effective for the Town's October 1, 2000 Grand List.

² Revaluation years.

Source: Assessor's Office, Town of Wallingford.

Exempt Property

The following categories of exempt properties are not included in the net taxable Grand List:

Public	Assessed Value ¹
State of Connecticut.....	\$ 10,308,000
Town of Wallingford.....	291,737,300
United States of America.....	20,739,100
Other Public.....	153,300
Sub-Total Public.....	\$ 322,937,700
Private	
Private Hospitals and Colleges.....	\$ 125,273,300
Scientific, Educational, Historical & Charitable.....	140,017,500
Houses of Worship & Cemeteries.....	27,196,000
Veteran's Organizations.....	619,800
Sub-Total Private.....	293,106,600
Total Exempt Property.....	\$ 616,044,300
Percent Compared to Net Taxable Grand List.....	14.78%

¹ Based on October 1, 2010 Net Taxable Grand List of \$4,169,070,630.

Source: Assessor's Office, Town of Wallingford.

Property Tax Levies and Collections

(in thousands)

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2010
2009	2011 ¹	\$4,304,589	24.08	103,654	In Collection		
2008	2010	4,304,579	23.20	100,193	98.15%	1.85%	1.85%
2007	2009	4,261,916	22.90	97,598	98.07%	1.93%	0.61%
2006	2008	4,168,140	22.05	92,315	98.02%	1.98%	0.70%
2005 ²	2007	4,148,220	21.25	89,199	98.33%	1.67%	0.85%
2004	2006	3,120,188	26.60	83,602	98.70%	1.30%	0.44%
2003	2005	3,054,211	25.50	78,672	98.50%	1.50%	--
2002	2004	3,021,271	25.10	76,863	98.80%	1.20%	--
2001 ²	2003	2,959,107	22.70	67,874	98.40%	1.60%	--
2000	2002	2,483,555	26.50	66,571	98.30%	1.70%	--

¹ Subject to audit.

² Revaluation.

Sources: Tax Collector's Office, Town of Wallingford

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List¹
Bristol-Myers Squibb Co.....	Pharmaceutical Research & Dev.	\$ 106,322,520	2.55%
Connecticut Light and Power.....	Public Power Utility	50,237,980	1.21%
Cellco Partnership Verizon Wireless	Communications	40,078,980	0.96%
PPL Wallingford Leasing/PPL Wallingford Energy LLC...	Power Facility Owner	38,201,010	0.92%
Covanta Projects of Wallingford LP.....	Trash to Energy Plant	25,414,820	0.61%
Masonic Healthcare Center.....	Retirement Community	23,565,030	0.57%
Blue Dog Properties (formerly Winstanley Properties).....	Real Estate	22,324,500	0.54%
Wal Mart Stores East/Real Estate Business Trust.....	Retail Store	15,248,330	0.37%
Stop & Shop/Wallingford Shopping Center Inc.	Supermarket	13,779,700	0.33%
Lowe's Home Centers/Infinity Route 5 LP.....	Retail Store	13,315,560	0.32%
Total.....		\$ 348,488,430	8.36%

¹ Based on October 1, 2010 Net Taxable Grand List of \$4,169,070,630.

Source: Assessor's Office, Town of Wallingford

Equalized Net Grand List

Grand List of 10/1	Equalized Net Grand List	% Growth
2008	\$ 6,770,743,132	(5.64)
2007	7,175,703,679	1.71
2006	7,054,965,181	16.91
2005	6,034,647,244	(7.36)
2004	6,513,986,848	9.13
2003	5,968,895,784	13.88
2002	5,241,221,722	19.36
2001	4,391,118,586	9.47
2000	4,011,139,532	7.73
1999	3,723,201,366	20.51

Source: State of Connecticut Office of Policy and Management.

V. Debt Summary
Principal Amount of Bonded Indebtedness ^{1,2}
As of May 19, 2011
(Pro-Forma)

Long-Term Debt					
Date	Purpose	Rate %	Amount of Original Issue	Outstanding After This Issue¹	Fiscal Year of Maturity
TOWN GOVERNMENT BONDS					
General Purpose					
03/15/07	Public Improvements	3.80 - 4.00	9,900,000	7,600,000	2027
06/01/08	Public Improvements	3.25 - 5.00	4,500,000	3,600,000	2023
03/01/09	Public Improvements (Refunding).....	2.50 - 5.00	2,525,000	2,514,000	2015
05/15/11	Public Improvements (This issue).....	tbd	620,000	620,000	2016
Sub-Total.....			\$ 17,545,000	\$ 14,334,000	
Schools					
12/15/03	School Improvements	2.50 - 4.50	10,000,000	6,500,000	2024
03/15/05	School Improvements	3.25 - 5.00	18,000,000	12,600,000	2025
03/15/07	School Improvements	3.80 - 4.00	5,100,000	4,100,000	2027
06/01/08	School Improvements	3.25 - 5.00	4,500,000	3,600,000	2023
05/15/11	School Improvements (This issue).....	tbd	1,440,000	1,440,000	2021
Sub-Total.....			\$ 39,040,000	\$ 28,240,000	
Total Town Government Bonds.....			\$ 56,585,000	\$ 42,574,000	
ENTERPRISE BONDS ²					
Water					
12/15/03	Water Refunding	2.00 - 3.00	3,795,000	324,000	2012
03/15/05	Water Refunding	3.00 - 5.00	485,000	214,400	2014
03/01/09	Water Refunding	2.50 - 5.00	1,550,000	1,541,000	2019
05/15/11	Water (This issue).....	tbd	2,820,000	2,820,000	2031
Sub-Total.....			\$ 8,650,000	\$ 4,899,400	
Sewer					
12/15/03	Sewer Refunding	2.00 - 3.00	410,000	36,000	2012
03/15/05	Sewer Refunding	3.00 - 5.00	1,030,000	455,600	2014
08/11/05	Sewer Permanent Loan Obligation	2.00	1,997,000	1,420,639	2026
03/01/09	Sewer Refunding.....	2.50 - 5.00	545,000	490,000	2017
Sub-Total.....			\$ 3,982,000	\$ 2,402,239	
Total Enterprise Bonds.....			\$ 12,632,000	\$ 7,301,639	
Total Long Term Debt.....			\$ 69,217,000	\$ 49,875,639	

¹ Excluded refunded bonds.

² Self-supporting debt. The Water and Sewer Bonds are supported by the Enterprise Funds.

Short-Term Debt

As of the date of this issue, the Town has no outstanding short term debt.

Other Obligations

The Town of Wallingford has no other obligations.

Clean Water Fund Program

On August 11, 2005, the Town received loan proceeds of \$2.0 million from the State of Connecticut under the Clean Water Fund Program for the Town's sewage treatment plant denitrofication project. The State of Connecticut's Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum.

All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrofication projects (30% grant and 70% loan). Loans to each municipality are made pursuant to a Project Loan and Grant Agreement. During construction the municipality enters into a short-term borrowing agreement with the State called an Interim Funding Obligation ("IFO") from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion a 20-year debt obligation called a Project Loan Obligation ("PLO") is issued to the State. The municipal obligations issued to the State are secured by the full faith and credit of the municipality and/or dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the scheduled 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 made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal. 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.

Annual Bonded Debt Maturity Schedule ¹
As of May 19, 2011
(Pro-Forma)

General Government

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue			Cumulative Principal Retired %
				General Purpose	Schools	Total	
2011 ¹	\$ 526,000	\$ 164,575	\$ 690,575	\$ -	\$ -	\$ -	1.24%
2012	3,340,000	1,547,400	4,887,400	130,000	165,000	295,000	9.77%
2013	3,329,000	1,429,975	4,758,975	125,000	165,000	290,000	18.27%
2014	3,290,000	1,316,700	4,606,700	125,000	165,000	290,000	26.68%
2015	3,279,000	1,202,788	4,481,788	120,000	165,000	285,000	35.05%
2016	2,800,000	1,066,250	3,866,250	120,000	160,000	280,000	42.29%
2017	2,800,000	950,300	3,750,300	-	125,000	125,000	49.16%
2018	2,800,000	843,325	3,643,325	-	125,000	125,000	56.03%
2019	2,800,000	734,325	3,534,325	-	125,000	125,000	62.90%
2020	2,800,000	624,713	3,424,713	-	125,000	125,000	69.77%
2021	2,800,000	514,188	3,314,188	-	120,000	120,000	76.63%
2022	2,800,000	403,050	3,203,050	-	-	-	83.21%
2023	2,575,000	290,175	2,865,175	-	-	-	89.25%
2024	1,975,000	184,875	2,159,875	-	-	-	93.89%
2025	1,475,000	113,000	1,588,000	-	-	-	97.36%
2026	575,000	45,000	620,000	-	-	-	98.71%
2027	550,000	22,000	572,000	-	-	-	100.00%
2028	-	-	-	-	-	-	100.00%
2029	-	-	-	-	-	-	100.00%
2030	-	-	-	-	-	-	100.00%
2031	-	-	-	-	-	-	100.00%
Total.....	\$ 40,514,000	\$ 11,452,638	\$ 51,966,638	\$ 620,000	\$ 1,440,000	\$ 2,060,000	

¹ Excludes \$2,825,000 in principal payments and \$1,506,100 in interest payments from July 1, 2010 through May 19, 2011.

Enterprise Funds

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Payments</i>	<i>This Issue: Water</i>	<i>Total Principal</i>	<i>Cumulative Principal Retired (%)</i>
2011 ¹	\$ 457,357	\$ 51,255	\$ 508,612	\$ -	\$ 457,357	6.26%
2012	900,280	106,776	1,007,057	-	900,280	18.59%
2013	531,280	86,671	617,951	150,000	681,280	27.92%
2014	525,280	71,828	597,108	150,000	675,280	37.17%
2015	336,280	55,835	392,115	150,000	486,280	43.83%
2016	320,280	42,029	362,309	150,000	470,280	50.27%
2017	300,280	33,423	333,704	150,000	450,280	56.44%
2018	250,280	25,418	275,698	150,000	400,280	61.92%
2019	250,280	18,537	268,818	150,000	400,280	67.40%
2020	100,280	11,282	111,562	150,000	250,280	70.83%
2021	100,280	9,276	109,556	150,000	250,280	74.26%
2022	100,280	7,270	107,551	150,000	250,280	77.69%
2023	100,280	5,265	105,545	150,000	250,280	81.11%
2024	100,280	3,259	103,540	150,000	250,280	84.54%
2025	100,280	1,254	101,534	150,000	250,280	87.97%
2026	8,357	14	8,371	145,000	153,357	90.07%
2027	-	-	-	145,000	145,000	92.06%
2028	-	-	-	145,000	145,000	94.04%
2029	-	-	-	145,000	145,000	96.03%
2030	-	-	-	145,000	145,000	98.01%
2031	-	-	-	145,000	145,000	100.00%
Total.....	\$ 4,481,639	\$ 529,391	\$ 5,011,030	\$ 2,820,000	\$ 7,301,639	

¹ Excludes \$466,924 in principal payments and \$81,477 in interest payments from July 1, 2010 through May 19, 2011.

Overlapping/Underlying Debt

The Town of Wallingford does not have any overlapping or underlying debt.

Debt Statement ¹
As of May 19, 2011
(Pro-Forma)

Long-Term Debt Outstanding:

General Purpose (Includes \$13,714,000 outstanding and \$620,000 of this issue).....	\$ 14,334,000
Schools (Includes \$26,800,000 outstanding and \$1,440,000 of this issue).....	28,240,000
Enterprise Fund - Water (Includes \$2,079,400 outstanding and \$2,820,000 of this issue).....	4,899,400
Enterprise Fund - Sewer	2,402,239
Total Long-Term Debt	49,875,639
Short-Term Debt	-
Total Direct Debt	49,875,639
Less: School Construction Grants Receivable (As of December 31, 2010) ¹	(1,606,000)
Less: Self Supporting Water Bonds.....	(4,899,400)
Less: Self Supporting Sewer Bonds.....	(2,402,239)
Total Direct Net Debt	40,968,000
Overlapping/Underlying Debt	-
Total Overall Net Debt	\$ 40,968,000

¹ The State of Connecticut will reimburse the City for eligible principal and interest costs over the life of 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 May 19, 2011
(Pro-Forma)

Population ¹	44,881
Net Taxable Grand List at 70% of Full Value (10/1/10) ²	\$ 4,169,070,630
Estimated Full Value	\$ 5,955,815,186
Equalized Grand List (10/1/08) ³	\$ 6,770,743,132
Money Income per Capita (2000) ¹	\$ 25,947

	Total Direct Debt	Total Overall Net Debt
	<u>\$49,875,639</u>	<u>\$40,968,000</u>
Per Capita.....	\$1,111.29	\$912.81
Ratio to Net Taxable Grand List.....	1.20%	0.98%
Ratio to Estimated Full Value.....	0.84%	0.69%
Ratio to Equalized Grand List.....	0.74%	0.61%
Debt per Capita to Money Income per Capita.....	4.28%	3.52%

¹ State of Connecticut Department of Public Health, July 1, 2009.

² Revalued October 1, 2005.

³ Office of Policy and Management, State of Connecticut.

Bond Authorization

The issuance of bonds or notes of the Town is authorized by ordinance in accordance with the Town Charter and the Connecticut General Statutes. The ordinance adoption procedure requires a public hearing, Town Council passage, and Mayoral approval, or in the event of Mayoral veto, Council override of the veto. Thereafter, the ordinance becomes effective unless a petition requesting a referendum is timely filed. A referendum vote to repeal the ordinance does not become effective unless 20% of the electorate have voted. Refunding bonds are authorized pursuant to the Connecticut General Statutes, which provides that only council approval is required if the refunding results in net present value savings.

Maturities

General obligation bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50% or aggregate annual principal and interest payments must be substantially equal. The term of an issue may not exceed twenty years except in the case of sewer bonds which may mature in up to thirty years.

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 eight years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third year and for all subsequent years during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or Federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

Limitation of Indebtedness

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

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

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

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

Statement of Statutory Debt Limitation ¹
As of May 19, 2011
(Pro Forma)

Total Tax Collections (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2010 \$ 101,294,000

Reimbursement For Revenue Loss:

Tax relief for elderly ¹ 2,000

Base for Debt Limitation Computation..... \$ 101,296,000

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Pension</u>
Debt Limitation:					
2 1/4 times base.....	\$ 227,916,000	-	-	-	-
4 1/2 times base.....	-	\$455,832,000	-	-	-
3 3/4 times base.....	-	-	\$379,860,000	-	-
3 1/4 times base.....	-	-	-	\$ 329,212,000	-
3 times base.....	-	-	-	-	\$ 303,888,000
Total Debt Limitation	\$ 227,916,000	\$455,832,000	\$379,860,000	\$ 329,212,000	\$ 303,888,000

Indebtedness: ¹

Bonds Outstanding.....	13,714,000	26,800,000	981,600 ²	-	-
Bonds – This Issue.....	620,000	1,440,000	-	-	-
CWF Project Loan Obligation (PLO).....	-	-	1,420,639	-	-
Debt Authorized But Unissued ³	<u>286,123</u>	<u>11,107,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Indebtedness	14,620,123	39,347,609	2,402,239	-	-

Less:

State School Grants Receivable ⁴	-	(1,606,000)	-	-	-
Total Net Indebtedness	<u>14,620,123</u>	<u>37,741,609</u>	<u>2,402,239</u>	<u>-</u>	<u>-</u>

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS ... \$ 213,295,877 \$418,090,391 \$377,457,761 \$ 329,212,000 \$ 303,888,000

¹ Excludes \$2,079,400 in outstanding Water Bonds payable, \$2,820,000 in Water Bonds of this issue, and \$331,000 of authorized but unissued debt as allowed under the Connecticut General Statutes.

² Represents Sewer Bonds supported by the Enterprise Funds.

³ As allowed under Connecticut General Statutes, the following authorized but unissued debt is excluded: \$2,430,000 for general purpose projects not yet borrowed against. See "Authorized but Unissued Debt" herein.

⁴ The State of Connecticut will reimburse the City for eligible principal and interest costs over the life of bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$709,072,000.

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

**Authorized but Unissued Debt
As of May 19, 2011
(Pro Forma)**

Project	Bonds Authorized	Bonds Issued	Amount Self- Funded	Grants	The Bonds	Debt Authorized but Unissued			
						General Purpose	Schools	Water	Sewer
Public Library Expansion Project.....	\$ 12,065,000	\$ 10,500,000	\$ 559,000	\$ 750,000	\$ -	\$ 256,000	\$ -	\$ -	\$ -
Town-Wide School System Renov.....	72,367,000	37,600,000	1,140,000	27,302,000	-	-	6,325,000	-	-
Regional Vo-Ag Center School									
Planning, Design & Construction.....	27,808,000	-	110,000	21,784,934	1,245,000	-	4,668,066	-	-
Whirlwind Hill Road Property Purchase.....	305,000	-	4,510		290,000	10,490	-	-	-
Dibble Edge Road Property Purchase.....	350,000	-	367		330,000	19,633	-	-	-
MacKenzie Reservoir.....	3,170,000	-	19,000	-	2,820,000	-	-	331,000	-
Christian Street Bridge Replacement.....	350,000	-	100,000	-	-	250,000	-	-	-
Sheehan H.S. Track & Field Lighting.....	330,000	-	20,457	-	195,000	-	114,543	-	-
10/11 Capital Improvement Budget ²	2,180,000	-	-	-	-	2,180,000	-	-	-
Totals.....	\$ 118,925,000	\$ 48,100,000	\$ 1,953,334	\$ 49,836,934	\$ 4,880,000	\$ 2,716,123	\$ 11,107,609	\$ 331,000	\$ - ¹

¹ See "Clean Water Fund Program" herein.

² This will be self funded during the Fiscal 2010-11 year.

**Principal Amount of Outstanding General Fund Debt ¹
Last Five Fiscal Years Ending June 30**

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

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value ¹	Net Long-Term Debt ²	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population ³	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ⁴ (%)
2010	\$4,304,578,629	\$ 6,149,398,041	\$ 43,339,000	1.01	0.70	44,881	\$ 965.64	3.72
2009	4,261,916,050	6,088,451,500	48,400,000	1.14	0.79	44,881	1,078.41	4.16
2008	4,168,139,955	5,954,485,650	53,500,000	1.28	0.90	44,859	1,192.63	4.60
2007	4,148,219,962	5,926,028,517	49,285,000	1.19	0.83	44,679	1,103.09	4.25
2006	3,120,188,106	4,457,411,580	38,240,000	1.23	0.86	44,825	853.10	3.29

¹ Assessment Ratio, 70%; Revaluation 10/1/05.

² Excluded enterprise fund debt.

³ State of Connecticut, Department of Public Health Estimates.

⁴ Money Income per Capita: Census 2000 data: \$25,947 used for all calculations.

**Ratios of Annual Long-Term General Fund Debt Service Expenditures
To Total General Fund Expenditures**
(in thousands)

Fiscal Year Ended 6/30	Principal	Interest	Total Debt Service	Total General Fund Expenditures¹	Ratio of General Fund Debt Service To Total General Fund Expenditures
2010	\$5,061	\$1,924	\$6,985	\$142,231	4.91%
2009	5,175	2,166	7,341	143,109	5.13%
2008	4,785	2,030	6,815	137,515 ²	4.96%
2007	3,955	1,614	5,569	130,430	4.27%
2006	4,065	2,054	6,119	126,822	4.82%

¹ GAAP basis of accounting. Includes Transfers out.

² The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the Town's teachers included an extraordinary one-time payment of approximately \$25.2 million. This one-time payment has been excluded to be comparable with prior years.

Source: Annual Audited Financial Statements, 2006-2010.

VI. Financial Administration

Fiscal Year

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

Basis of Accounting

The financial statements of the Town of Wallingford, Connecticut have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town has changed its financial reporting to comply with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2002. Please refer to Appendix A "Notes to Financial Statements" herein for compliance and implementation details.

The new reporting model includes the following segments:

Management's Discussion and Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

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

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

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

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

Budget Procedure

Departmental managers submit their budgets to the finance department 120 days prior to year-end for the fiscal year commencing the following July 1. Thirty days later the Mayor and Comptroller present the proposed operating budget to the Town Council. A public hearing is conducted to obtain taxpayer comments, and the budget is legally adopted through passage of an ordinance prior to June 1. The Enterprise Funds are also under the same budgetary control.

Supplemental budget appropriations must be adopted by the Town Council.

The annual budget is approved at the line-item level. Upon approval of the Town Council transfers from one budgetary line to another, or from contingency accounts, may be made within a department. Transfers between departments can be made upon request of the Mayor and resolution of the Council during the last three months of the fiscal year. Appropriations lapse at year-end except appropriations of the capital projects funds, which continue until completion of the applicable project.

Annual Audit

Pursuant to Connecticut Law, the Town is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2007, the examination was conducted by Blum Shapiro & Company, P.C., Certified Public Accountants, of West Hartford, Connecticut.

Certificate of Achievement for Excellence in Financial Reporting: The Town of Wallingford has received a 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, 1988 through June 30, 2001, and June 30, 2003 through June 30, 2009 and has applied for the audited financial statements for Fiscal Year ended June 30, 2010. 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 must also contain statistical information useful in evaluating the financial condition of a government and meet the standards established for the Certificate Program.

Pensions

The Town of Wallingford is the administrator of the Town's Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system ("PERS") established and administered by the Town to provide pension benefits to all full-time non-certified employees. The Plan is considered to be part of the Town of Wallingford's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The Plan does not issue a stand-alone report. The certified faculty and administrative personnel of the Board of Education participate in a contributory retirement plan administered by the State Teachers Retirement Board. The Town does not contribute to this plan.

Please refer to the "Notes to Financial Statements – Note 15" in Appendix A herein for further information regarding the Town's pension plan.

Other Post Employment Benefits

The Town provides post employment health care benefits, in accordance with current contracts, to Board of Education certified teachers and administrators who retire from the Town in accordance with criteria listed in "Notes to Financial Statements - Note 12" in Appendix A. For those employees who terminate without retirement, healthcare benefits continue for 30 days after termination.

The Town also provides health care benefits to retired police and fire employees as well as chiefs and assistant chiefs, in accordance with union contracts. When they retire, police and fire employees may have up to fifty percent of their health care benefits paid for by the Town until they reach age 65. The cost of this benefit is recognized as a General Fund expense in the year premiums are incurred.

The Town of Wallingford has hired the firm of Hooker & Holcomb to perform an actuarial valuation of its other post employment benefits liability in order to comply with the reporting requirements of GASB Statement No. 45.

Investment Practices

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

The Town of Wallingford manages the investment of its funds in compliance with its Charter, Operating Cash Policy and the Connecticut General Statutes.

Capital Improvement Plan

The Town, per Ordinance, develops a Six-Year Capital Budget primarily for infrastructure projects, such as road and bridge reconstruction and other non-recurring expenditures. The Ordinance requires the Electric Division to make a P.I.L.O.T. payment based upon the prior audited year kilowatt volume sales to finance these projects. These projects may also be funded by project specific federal and state grants, debt issuance and up to two mills of the annual property tax levy. Proposed projects for the ensuing fiscal year and the next five years thereafter are presented in the same manner as all other funds during the annual budget process. Each year the recommended projects for the ensuing year are appropriated. This activity is accounted for in the Town's Capital and Non-Recurring Capital Projects Fund. The fiscal year 2010-11 adopted Capital and Non-Recurring Fund budget is \$2,196,525, which is funded by \$320,000 in state grants for a road project and \$1,876,525 P.I.L.O.T. in payments from the Electric Division.

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis), and
Current Year Budget (Budgetary Basis)
(in thousands)

	Adopted Budget ¹ 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
Revenues:					
General Property Taxes	\$ 102,403	\$ 101,282	\$ 99,085	\$ 92,419	\$ 89,045
Licensee and Permits	805	469	644	838	1,689
Intergovernmental Revenues	27,188	31,491	34,782	58,473	29,873
Charges for Services	3,629	3,681	3,319	3,410	3,380
Investment Income	510	268	617	1,185	1,535
Other	-	2,153	2,270	2,323	2,375
Bond Premium	-	-	13	205	-
Transfers In	1,865	2,481	2,714	2,593	2,864
Total.....	\$ 136,400	\$ 141,825	\$ 143,444	\$ 161,446	\$ 130,761
Expenditures:					
General Government	\$ 22,393	\$ 19,436	\$ 18,768	\$ 17,425	\$ 16,776
Public Safety	15,493	14,741	14,914	14,133	13,428
Public Works	6,963	6,461	6,874	6,957	6,669
Health and Social Services	1,905	2,195	2,202	2,198	2,101
Parks and Recreation	1,101	1,058	1,058	1,093	1,029
Education	86,428	89,377	89,881	112,045	82,499
Capital Outlay	-	-	-	-	-
Debt Service	5,252	6,986	7,346	6,815	5,572
Transfers Out	1,865	1,977	2,066	2,071	2,356
Total.....	\$ 141,400	\$ 142,231	\$ 143,109	\$ 162,737	\$ 130,430
Excess (Deficiency) of Revenues					
Over Expenditures.....	\$ (5,000)	\$ (406)	\$ 335	\$ (1,291)	\$ 331
Fund Equity, Beginning of Year.....	20,291	20,697	20,362	21,653	21,322

Analysis of General Fund Equity

	Adopted Budget ¹ 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007
Reserved.....	N/A	\$ 1,130	\$ 2,731	\$ 852	\$ 927
Unreserved:					
Designated for Appropriations in Force...	N/A	790	412	-	-
Designated for Next Year's Budget.....	N/A	5,000	5,800	5,950	6,300
Undesignated.....	N/A	13,371	11,754	13,560	14,426

¹ Budgetary Basis of accounting. Subject to audit. No assurances can be given that subsequent projections & the final result of operations will not change.

Electric Enterprise Fund
Statement of Revenues and Expenditures
(GAAP Basis)
(in thousands)

	<u>Actual</u> <u>6/30/2010</u>	<u>Actual</u> <u>6/30/2009</u>	<u>Actual</u> <u>6/30/2008</u>	<u>Actual</u> <u>6/30/2007</u>	<u>Actual</u> <u>6/30/2006</u>
Operating Revenues:					
Operations	\$ 77,478	\$ 71,001	\$ 71,098	\$ 69,224	\$ 57,067
Other	291	275	271	246	51
Total.....	77,769	71,276	71,369	69,470	57,118
Operating Expenditures:					
Operations	70,024	65,071	61,747	58,412	57,852
Depreciation	3,232	3,122	2,996	2,908	2,803
Gross Earnings Tax	1,422	1,329	1,356	1,395	2,000
Total.....	74,678	69,522	66,099	62,715	62,655
Operating Income (Loss).....	3,091	1,754	5,270	6,755	(5,537)
NON-OPERATING INCOME (LOSS):					
Interest on customer deposits.....	(5)	(45)	(106)	-	-
Gain on disposal of assets	-	-	-	-	179
Loss on disposal of assets	(9)	(19)	(7)	(3)	-
Lease income	777	777	735	626	594
Investment income	42	253	534	383	(136)
Investment Income - affiliated benefit fund	-	-	-	-	362
Total Non-Operating Income (Expenses)	805	966	1,156	1,006	999
NET INCOME (LOSS)					
BEFORE TRANSFERS	3,896	2,720	6,426	7,761	(4,538)
Transfers out	(1,965)	(1,982)	(2,071)	(1,991)	(1,903)
Change in net assets	1,931	738	4,355	5,770	(6,441)
Total Net Assets, July 1	56,421	55,683	51,328	45,558	51,999
Total Net Assets, June 30.....	\$ 58,352	\$ 56,421	\$ 55,683	\$ 51,328	\$ 45,558

Source: Annual Audited Financial Statements, 2006-2010.

Water Enterprise Fund
Statement of Revenues and Expenditures
(GAAP Basis)
(in thousands)

	<u>Actual</u> <u>6/30/2010</u>	<u>Actual</u> <u>6/30/2009</u>	<u>Actual</u> <u>6/30/2008</u>	<u>Actual</u> <u>6/30/2007</u>	<u>Actual</u> <u>6/30/2006</u>
Operating Revenues:					
Operations	\$ 5,871	\$ 5,944	\$ 5,934	\$ 5,517	\$ 5,803
Other	188	242	214	284	1
Total.....	6,059	6,186	6,148	5,801	5,804
Operating Expenditures:					
Operations	4,351	4,326	4,205	4,258	3,856
Depreciation	1,652	1,601	1,583	1,559	1,552
Gross Earnings Tax	-	-	-	-	-
Total.....	6,003	5,927	5,788	5,817	5,408
Operating Income (Loss).....	56	259	360	(16)	396
NON-OPERATING INCOME (LOSS):					
Lease income	103	88	36	29	29
Interest & Amortization Expense	(110)	(161)	(185)	(208)	(279)
Investment income	53	185	233	243	194
Other Nonoperating Revenues (Exp.)	-	-	-	-	279
Total Non-Operating Income (Expenses)	46	112	84	64	223
NET INCOME (LOSS)					
BEFORE TRANSFERS	102	371	444	48	619
Capital Grants and Contributions	374	341	35	118	156
Transfers out	-	-	-	-	-
Change in net assets	476	712	479	166	775
Total Net Assets, July 1	39,923	39,211	38,732	38,566	37,791
Total Net Assets, June 30.....	\$ 40,399	\$ 39,923	\$ 39,211	\$ 38,732	\$ 38,566

Source: Annual Audited Financial Statements, 2006-2010.

Sewer Enterprise Fund
Statement of Revenues and Expenditures
(GAAP Basis)
(in thousands)

	Actual 6/30/2010	Actual 6/30/2009	Actual 6/30/2008	Actual 6/30/2007	Actual 6/30/2006
Operating Revenues:					
Operations	\$ 4,941	\$ 4,784	\$ 4,771	\$ 4,402	\$ 4,388
Other	212	222	267	557	-
Total.....	5,153	5,006	5,038	4,959	4,388
Operating Expenditures:					
Operations	4,238	4,581	4,287	4,184	
Depreciation	1,962	1,942	1,939	1,978	4,106
Gross Earnings Tax	-	-	-	-	1,986
Total.....	6,200	6,523	6,226	6,162	6,092
Operating Income (Loss).....	(1,047)	(1,517)	(1,188)	(1,203)	(1,704)
NON-OPERATING INCOME (LOSS):					
Capital grants and contributions	-	-	-	-	-
Lease income	-	-	-	-	-
Interest & Amortization Expense	(76)	(97)	(109)	(204)	157
Investment income	55	128	230	255	(39)
Other Nonoperating Revenues (Exp.)	-	-	-	-	197
Total Non-Operating Income (Expenses)	(21)	31	121	51	315
NET INCOME (LOSS)					
BEFORE TRANSFERS	(1,068)	(1,486)	(1,067)	(1,152)	(1,389)
Capital Grants and Contributions	439	8	98	30	326
Transfers out	-	-	-	-	-
Change in net assets	(629)	(1,478)	(969)	(1,122)	(1,063)
Total Net Assets, July 1	38,933	40,411	41,380	42,502	43,565
Total Net Assets, June 30.....	\$ 38,304	\$ 38,933	\$ 40,411	\$ 41,380	\$ 42,502

Source: Annual Audited Financial Statements, 2006-2010.

VII. Legal and Other Information

Litigation

The Town of Wallingford, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the Town Attorney's opinion that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

Transcript and Closing Documents

Upon delivery of the Bonds, the original purchaser will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town, signed by the Mayor and Comptroller, which will be dated the date of delivery and attached to a confirmed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds were accepted the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Joseph Fasi LLC, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form of Appendix C attached hereto.
6. The Town of Wallingford, Connecticut has prepared an Official Statement for this Bond Issue which is dated April 28, 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 provide to the winning bidder of the Bonds 100 copies of the Official Statement prepared at the Town's expense and delivered not later than seven business days after the bid opening.

Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut and will be available for examination upon reasonable request.

Concluding Statement

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

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

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

TOWN OF WALLINGFORD, CONNECTICUT

William W. Dickinson, Jr., *Mayor*

James M. Bowes, *Comptroller*

Dated as of May __, 2011

Appendix A

2010 General Purpose Financial Statements

The following includes excerpts from the Comprehensive Annual Financial Report of the Town of Wallingford, 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 A. Spoerndle, Managing Director, Phoenix Advisors LLC, 53 River Street, Suite 3, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Wallingford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wallingford, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the Town of Wallingford, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Wallingford, Connecticut, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-12 and the budgetary comparison information on pages A-56 through A-62 are not required parts 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.

Blum, Shapiro & Company, P.C.

December 8, 2010

**TOWN OF WALLINGFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

This discussion and analysis of the Town of Wallingford, Connecticut's (the Town) financial performance is offered by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

Financial Highlights

- The Town's total net assets increased as a result of this year's operations. The net assets of our governmental activities increased by \$4 million, or 1.9%. The net assets of our business-type activities increased by \$1.8 million, or 1.3%.
- During the year, the Town had governmental expenditures that were \$2.1 million less than the \$159.1 million generated in tax and other revenues for governmental programs (before transfers). Revenues for the Town's business-type activities were \$3.7 million more than expenses (before transfers).
- Total cost of all of the Town's programs was \$244 million with no new programs added this year.
- The General Fund reported a total fund balance this year of \$20.3 million.
- The resources available for appropriation were \$3.2 million more than budgeted for the General Fund. Expenditures were \$3.7 million less than budgeted.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The analysis of the Town as a whole begins with Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. The Town's net assets, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town is divided into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, health and social services, parks and recreation and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Electric Fund, Water Fund and Sewer Fund are reported here.

Fund Financial Statements

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

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's combined net assets increased from a year ago from \$344.2 million to \$350.1 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

TABLE 1
NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 41,822	\$ 49,046	\$ 42,501	\$ 39,844	\$ 84,323	\$ 88,890
Capital assets	246,697	240,491	113,319	113,327	360,016	353,818
Total assets	<u>288,519</u>	<u>289,537</u>	<u>155,820</u>	<u>153,171</u>	<u>444,339</u>	<u>442,708</u>
Long-term debt outstanding	63,358	65,701	6,867	7,892	70,225	73,593
Other liabilities	12,164	14,917	11,898	10,002	24,062	24,919
Total liabilities	<u>75,522</u>	<u>80,618</u>	<u>18,765</u>	<u>17,894</u>	<u>94,287</u>	<u>98,512</u>
Net Assets:						
Invested in capital assets, net of debt	202,934	191,533	108,381	107,417	311,315	298,950
Restricted	1,480	1,463	320	320	1,800	1,783
Unrestricted	<u>8,583</u>	<u>15,923</u>	<u>28,354</u>	<u>27,540</u>	<u>36,937</u>	<u>43,463</u>
Total Net Assets	<u>\$ 212,997</u>	<u>\$ 208,919</u>	<u>\$ 137,055</u>	<u>\$ 135,277</u>	<u>\$ 350,052</u>	<u>\$ 344,196</u>

TABLE 2
CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 9,177	\$ 8,758	\$ 88,981	\$ 82,468	\$ 98,158	\$ 91,226
Operating grants and contributions	36,232	42,288			36,232	42,288
Capital grants and contributions	6,745	17,721	813	349	7,558	18,070
General revenues:						
Property taxes	100,937	99,211			100,937	99,211
Grants and contributions not restricted to specific purposes	5,423	5,600			5,423	5,600
Unrestricted investment earnings	279	660	150	566	429	1,226
Other general revenues	286	311	880	865	1,166	1,176
Total revenues	<u>159,079</u>	<u>174,549</u>	<u>90,824</u>	<u>84,248</u>	<u>249,903</u>	<u>258,797</u>
Program expenses:						
General government	18,458	19,533			18,458	19,533
Public safety	14,872	15,063			14,872	15,063
Public works	8,262	9,253			8,262	9,253
Health and social services	2,796	2,830			2,796	2,830
Parks and recreation	2,165	2,151			2,165	2,151
Education	108,550	103,471			108,550	103,471
Interest on long-term debt	1,863	2,162			1,863	2,162
Electric			74,692	69,586	74,692	69,586
Water			6,113	6,088	6,113	6,088
Sewer			6,276	6,620	6,276	6,620
Total expenses	<u>156,966</u>	<u>154,463</u>	<u>87,081</u>	<u>82,294</u>	<u>244,047</u>	<u>236,757</u>
Change in net assets before transfers	2,113	20,086	3,743	1,954	5,856	22,040
Transfers	<u>1,965</u>	<u>1,982</u>	<u>(1,965)</u>	<u>(1,982)</u>	<u>-</u>	<u>-</u>
Change in net assets	4,078	22,068	1,778	(28)	5,856	22,040
Net Assets at Beginning of Year	<u>208,919</u>	<u>186,851</u>	<u>135,277</u>	<u>135,305</u>	<u>344,196</u>	<u>322,156</u>
Net Assets at End of Year	<u>\$ 212,997</u>	<u>\$ 208,919</u>	<u>\$ 137,055</u>	<u>\$ 135,277</u>	<u>\$ 350,052</u>	<u>\$ 344,196</u>

Net assets of the Town's governmental activities increased by 1.9% (\$213 million compared to \$209 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$15.9 million at June 30, 2009 to \$8.6 million at the end of this year. The net assets of the Town's business-type activities increased by 1.3% (\$137.1 million compared to \$135.3 million). The Town's total revenues (excluding transfers) were \$249.9 million. The total cost of all programs and services was \$244 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Governmental activities increased the Town's net assets by \$4 million, primarily due to \$5.5 million in capital grants for construction of the Vernon E. Cleaves Vocational Agricultural Center.

The Town's general revenues from property taxes increased \$1.7 million consistent with the tax levy increase and arrears tax collection estimates, from \$97.1 million for 2009 to \$98.8 million for 2010. The increased tax revenue supported increases in the Board of Education's budgetary-based actual General Fund expenditures of approximately \$1 million compared with 2009. The other General Fund governmental functions saw slight decreases as compared to 2009.

Revenues of the Town's governmental activities decreased \$15.4 million (\$159.1 million compared to \$174.5 million). This is due to receiving \$10 million less in 2010 for the Vocational Agriculture Center grant than last year. In addition, the Town received a lump sum of \$7 million for the CRRA trash to energy project reserve distribution in 2009, which was not duplicated in 2010.

The total program expenses of the Town's governmental activities increased \$2.5 million (\$156.9 million compared to \$154.4 million). Increases in Education costs of \$5.1 million, primarily driven by increases in contractual salaries, were greater than the decrease in all other governmental functions of \$2.6 million. The other functions' decrease of \$2.6 million is due mainly to lower costs of the Vocational Agricultural Center project and a hiring freeze for all vacant positions across all general government departments.

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

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General government	\$ 18,458	\$ 19,533	\$ 15,982	\$ 16,914
Public safety	14,872	15,063	13,381	13,877
Public works	8,262	9,253	7,616	1,020
Health and social services	2,796	2,830	2,091	2,123
Education	108,550	103,471	62,560	48,269
All others	4,028	4,313	3,182	3,493
Total	<u>\$ 156,966</u>	<u>\$ 154,463</u>	<u>\$ 104,812</u>	<u>\$ 85,696</u>

Business-Type Activities

Net assets of the Town's business-type activities increased by \$1.8 million. This was primarily the result of user fee increases in all three utility operations, which generated \$6.5 million in increased revenue versus increases in purchased power costs of \$5.1 million. See Table 2 for more details.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$23.8 million, which is a decrease of \$5.3 million from last year's total of \$29.1 million. Included in this year's total change in fund balance is a decrease of \$406 thousand in the Town's General Fund. The primary reasons for the General Fund's decrease mirror the General Fund activities analysis highlighted in RSI-1 and RSI-2.

In the Town's other governmental funds, fund balance decreased \$4.9 million, primarily due to expenditure of funds above grant reimbursement in the Vocational Agricultural Center project.

General Fund Budgetary Highlights

The following were the primary General Fund revenue budget variances:

The Town received \$827 thousand more from current levy tax collections due to actual collections approximately 0.50% higher than anticipated. Also, prior levy tax collections exceeded estimates by \$634 thousand due to lien and tax foreclosure actions taken during the year.

The State granted \$571 thousand more than anticipated for the Manufacturer's Machinery and Equipment program, as more taxable equipment was deemed eligible for inclusion under this State program than was estimated when the budget was adopted.

Tuition revenue from out of town students into the Vocational Education and certain other education programs was \$434 thousand higher than anticipated.

However, the State reduced certain grants during the fiscal year which caused the Town to receive \$171 thousand less for the Educational Cost Sharing grant, \$75 thousand less for Tribal Gaming funds and \$230 thousand less for School Transportation grants than what was anticipated.

Revenue from interest on the Town's cash was \$202 thousand less than budgeted as rates continued to decline during the year to levels less than anticipated.

The larger General Fund expenditure budget variances were in the following areas:

Expenditures for the Town's Pension contributions were \$239 thousand less than budgeted due to not filling positions that became vacant during the year.

Employee insurance and other benefits were \$481 thousand below budget due to approximately \$100 thousand less in accrued retirement sick leave payments and \$358 thousand below budget for Town health insurance contributions due to not filling positions that became vacant during the year.

The Town expended \$463 thousand less in contingency funds budgeted.

Public Safety expenditures were \$857 thousand below budget due primarily to \$493 thousand less in Police wages, due to the time lag in replacing employees who retired or resigned and less overtime. Also, \$100 thousand less was expended in the Fire budget by deferring reconditioning of an aerial truck.

Public Works expenditures were \$737 thousand below budget due primarily to \$139 thousand less in Public Works Department wages due to not filling positions vacated during the year and less overtime for snow removal. Also, Public Works Department operating costs were \$300 thousand lower due to less than anticipated utility increases.

There were no significant expenditure budget line items that required additional funding during the year. The final amended expenditure budget was \$2.4 million lower than the original budget due primarily to the reclassification of \$3 million of funding from the State or Federal A.R.R.A. funds. These funds replaced State Educational Cost Sharing grant funds reduced by the State, which the Town appropriated in the Federal and State Educational Grants Special Revenue Fund.

The Town's General Fund balance of \$20.3 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$19.2 million. This is principally because GAAP fund balance includes \$1.1 million of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Town had \$360 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and electric, water and sewer utility plant and transmission and distribution lines - Table 4. This amount represents a net increase (including additions, deductions and depreciation) of \$6.2 million, or 1.75% over last year.

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and land improvements	\$ 33,517	\$ 32,742	\$ 713	\$ 679	\$ 34,230	\$ 33,421
Buildings, utility plant and improvements	145,810	150,366	43,348	46,993	189,158	197,359
Vehicles, machinery and equipment	3,287	2,673	10,757	8,007	14,044	10,680
Infrastructure	32,309	32,983	56,302	57,392	88,611	90,375
Construction in progress	31,774	21,727	2,199	256	33,973	21,983
Total	\$ 246,697	\$ 240,491	\$ 113,319	\$ 113,327	\$ 360,016	\$ 353,818

This year's major capital additions included (in thousands):

	\$	
Reskin Drive Bridge		285
Vernon E. Cleaves Vo-Ag Center		<u>9,797</u>
Total	\$	<u><u>10,082</u></u>

The Town's fiscal year 2010-11 budget calls for spending \$2.2 million for capital projects, principally for road reconstruction. More detailed information about the Town's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010 the Town had \$48.2 million in bonds and serial notes outstanding versus \$54.3 million last year, a decrease of 11.2% - as shown in Table 5.

TABLE 5
OUTSTANDING DEBT, AT YEAR-END
(In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds and State of Connecticut serial notes (backed by the Town)	\$ <u>43.3</u>	\$ <u>48.4</u>	\$ <u>4.9</u>	\$ <u>5.9</u>	\$ <u>48.2</u>	\$ <u>54.3</u>

The Town issued no debt during the fiscal year.

During the last bond issue (a refunding issue in fiscal year 2008-2009), the Town was issued a "Aa1" rating by Moody's Investor Service, which has been in place since 2000. However, Moody's assigned the Town its "Aaa" rating during their re-calibration of global municipal debt in May 2010.

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the Town of Wallingford is \$709 million. The Town's outstanding general obligation debt is significantly below this limitation.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The major concern of the Town's elected and appointed officials when considering the fiscal year 2010-2011 budget was the effect of the lingering national economic recession on the Town. This is most noticeably evidenced by small growth in the October 1, 2008 Grand List of taxable property of 1.02% (for the 2009-10 fiscal year) and growth of only \$10 thousand in the October 1, 2009 Grand List (for the 2010-11 fiscal year). The following factors indicate that the economic slowdown continues:

- Revenue from construction and real estate sale activity, which began declining sharply beginning in early calendar 2009, has not improved.
- Commercial and industrial businesses have continued to curtail capital spending for taxable assets, such as machinery.
- The Town's unemployment rate rose to 8.1% by the end of June 2010. Whereas this is lower than the State rate of 8.9% and national rate of 9.6% for the same time period, it is higher than the Town's 7.5% rate at June 30, 2009. This has led to a sharp reduction in residential building activity.
- The State of Connecticut's current budget deficit has risen to between \$3 billion to \$4 billion.

As a result, no growth is anticipated for the Grand List of October 2010, which will be in effect for the 2011-12 fiscal year. Also, the Town anticipates no additional assistance from the State due to the State's economic difficulties.

When setting the fiscal year 2010-2011 budget, tax rate and fees charged for business-type activities, the Town's elected and appointed officials considered the aforementioned economic factors as well as the public's need for services. The Town administration instructed departmental heads to keep 2010-2011 budget requests at or below their 2009-10 levels, in order to not increase the financial burden on citizens and businesses during this time of economic recession.

The Town adopted a General Fund budget that contains conservative revenue forecasts as compared to the prior year budget as follows:

- Reduced the estimated tax collection rate by .50% to 97.25%, in recognition of the higher unemployment rate by homeowners who may fall delinquent on taxes.
- Reduced revenue estimates for building permit fees, real estate sale recording fees and conveyance taxes by \$200 thousand to reflect curtailed construction and real estate sales.
- Reduced interest income by \$120 thousand as interest rates on operating cash have continued to decline.
- Revenue from State of Connecticut formulary grants was budgeted at the same amount as last year, as the State is utilizing Federal stimulus grants to provide the same level of funding to all Connecticut municipalities as last year. However, the State's growing budget deficit, high unemployment rate and lack of new job creation leads Town's management to believe that State grants to local governments, especially in the area of public education, may be reduced in years after 2010-11. The Town will continue to work with its State assembly delegation and municipal cooperative organizations to minimize reductions in State aid and make necessary budget decisions if State grants are reduced.

The Town adopted expenditure budgets attempting to maintain services with no new programs or initiatives. Some of the major highlights of these efforts are:

- No amounts were budgeted for fiscal 2010-11 salary increases for all Town, School and Utility employees, except for meritorious step increases.
- No amounts were budgeted for eight open positions in the General Government: two in Public Works, three in the Comptroller's office and four Police officers. These positions were vacated by retired employees and will probably remain unfilled until the economy recovers.
- Approximately fifteen teaching and fifty paraprofessional and other positions were eliminated in the Board of Education 2010-2011 budget. The Board of Education accommodated these reductions by realigning the eight elementary schools into four kindergarten through second grade and four third grade through fifth grade schools to better match diminished overall class sizes with resources.
- Major capital items were reduced from General Fund budgets for consideration of funding from the lump sum distribution from the C.R.R.A. trash to energy project, which is recorded as a Special Revenue Fund.

Amounts available for appropriation in the General Fund budget are \$5.0 million, approximately 13.8% lower than the \$5.8 million in the final 2010 budget. As the October 1, 2009 Grand List had no growth, approximately \$3 million of new taxes in the form of an increase in the property tax mill rate to 24.08 is needed to finance fiscal year 2010-11 operations. This rate is 3.8% higher than the fiscal 2009-10 rate of 23.20 mills. The Town will use the increased revenues to finance programs currently offered.

As a result of the economic considerations, the total adopted General Fund expenditure budget for fiscal year 2010-11 is a very modest .73% higher than the fiscal year 2009-10 budget. The General Government budget decreased by .63% or \$350 thousand, as increases to health insurance and pension contribution estimates are offset by the wage freeze and other aforementioned items. The Board of Education budget increased 1.6%, or \$1.371 million, mostly due to increases in health insurance estimates and maintenance costs.

As for the Town's business-type activities, the Electric Division operating budget reflects a budget decrease of 3.7%, almost all of which is due to lower anticipated power purchase costs from the electric cooperative as energy production prices have eased. The Town did not increase base electric rates for the fiscal year 2010-11 budget. A rate study will be conducted during fiscal year 2010-11 to determine future base electric rates. Wallingford Electric Division rates remain among the lowest in New England. Costs for the Water and Sewer Divisions are expected to rise by about 2% and 4%, respectively next year, primarily for maintenance of infrastructure. Both divisions are experiencing declining revenue due to economic recession and conservation efforts. As a result, Water rates were increased by 7% and Sewer rates were increased by 19% for the 2010-11 budget. There may be additional sewer and water rate increases in 2011-12 to offset future cost increases and revenue stagnation.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Comptroller, 45 South Main Street, Wallingford, Connecticut 06492.

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2010
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 32,835	\$ 26,827	\$ 59,662
Receivables, net	7,912	13,982	21,894
Due from Pension Trust	916		916
Deferred charges		382	382
Other assets	159	1,310	1,469
Capital assets:			
Assets not being depreciated	62,554	2,912	65,466
Assets being depreciated, net	184,143	110,407	294,550
Total assets	<u>288,519</u>	<u>155,820</u>	<u>444,339</u>
Liabilities:			
Accounts payable and accrued expenses	11,400	8,817	20,217
Customer deposits		3,081	3,081
Unearned revenue	764		764
Noncurrent liabilities:			
Due within one year	5,929	1,573	7,502
Due in more than one year	57,429	5,294	62,723
Total liabilities	<u>75,522</u>	<u>18,765</u>	<u>94,287</u>
Net Assets:			
Invested in capital assets, net of related debt	202,934	108,381	311,315
Restricted for conservation programs		320	320
Restricted for trust purposes:			
Expendable	46		46
Nonexpendable	1,434		1,434
Unrestricted	<u>8,583</u>	<u>28,354</u>	<u>36,937</u>
Total Net Assets	<u>\$ 212,997</u>	<u>\$ 137,055</u>	<u>\$ 350,052</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 18,458	\$ 2,451	\$ 25	\$	\$ (15,982)	\$	\$ (15,982)
Public safety	14,872	1,407	84		(13,381)		(13,381)
Public works	8,262	18	143	485	(7,616)		(7,616)
Health and social services	2,796	8	697		(2,091)		(2,091)
Parks and recreation	2,165	823	23		(1,319)		(1,319)
Education	108,550	4,470	35,260	6,260	(62,560)		(62,560)
Interest on long-term debt	1,863				(1,863)		(1,863)
Total governmental activities	<u>156,966</u>	<u>9,177</u>	<u>36,232</u>	<u>6,745</u>	<u>(104,812)</u>	<u>-</u>	<u>(104,812)</u>
Business-type activities:							
Electric	74,692	77,769				3,077	3,077
Water	6,113	6,059		374		320	320
Sewer	6,276	5,153		439		(684)	(684)
Total business-type activities	<u>87,081</u>	<u>88,981</u>	<u>-</u>	<u>813</u>	<u>-</u>	<u>2,713</u>	<u>2,713</u>
Total	\$ <u>244,047</u>	\$ <u>98,158</u>	\$ <u>36,232</u>	\$ <u>7,558</u>	<u>(104,812)</u>	<u>2,713</u>	<u>(102,099)</u>
General revenues:							
Property taxes					100,937		100,937
Grants and contributions not restricted to specific programs					5,423		5,423
Unrestricted investment earnings					279	150	429
Miscellaneous					286	880	1,166
Total general revenues					<u>106,925</u>	<u>1,030</u>	<u>107,955</u>
Transfers					<u>1,965</u>	<u>(1,965)</u>	<u>-</u>
Change in net assets					4,078	1,778	5,856
Net Assets, Beginning of Year					<u>208,919</u>	<u>135,277</u>	<u>344,196</u>
Net Assets, End of Year					\$ <u>212,997</u>	\$ <u>137,055</u>	\$ <u>350,052</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010
(In Thousands)

	General	Capital and Nonrecurring	School Renovations	Vernon E. Cleaves Vo-ag Center	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 30,572	\$	\$	\$	\$ 2,033	\$ 32,605
Receivables, net	5,429	101	812	1,184	299	7,825
Due from other funds	13,124	3,902			8,742	25,768
Inventory					112	112
Prepaid items	2				3	5
Total Assets	<u>\$ 49,127</u>	<u>\$ 4,003</u>	<u>\$ 812</u>	<u>\$ 1,184</u>	<u>\$ 11,189</u>	<u>\$ 66,315</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 8,767	\$ 272	\$	341	\$ 374	\$ 9,754
Due to other funds	15,800		6,226	5,077	905	28,008
Deferred revenue	4,269				442	4,711
Total liabilities	<u>28,836</u>	<u>272</u>	<u>6,226</u>	<u>5,418</u>	<u>1,721</u>	<u>42,473</u>
Fund balances:						
Reserved	1,130	371	1	410	1,656	3,568
Unreserved, reported in:						
General Fund	19,161					19,161
Special Revenue Funds					6,601	6,601
Capital Project Funds		3,360	(5,415)	(4,644)	1,211	(5,488)
Total fund balances	<u>20,291</u>	<u>3,731</u>	<u>(5,414)</u>	<u>(4,234)</u>	<u>9,468</u>	<u>23,842</u>
Total Liabilities and Fund Balances	<u>\$ 49,127</u>	<u>\$ 4,003</u>	<u>\$ 812</u>	<u>\$ 1,184</u>	<u>\$ 11,189</u>	<u>\$ 66,315</u>

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

(In Thousands)

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

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

Fund balances - total governmental funds	\$	23,842
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	369,323	
Less accumulated depreciation		(122,626)	
Net capital assets			246,697

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

Net pension asset		42
Property tax receivables greater than 60 days		2,837
Interest receivable on property taxes		850
Other accounts receivable		260

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

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

Bonds and notes payable	(43,339)
Interest payable on bonds and notes	(355)
Capital lease	(224)
Compensated absences	(12,566)
Retired employee obligations	(326)
Deferred charges on refunding	(85)
Net OPEB obligation	(4,941)

Net Assets of Governmental Activities (Exhibit I)	\$	<u>212,997</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)**

	<u>General</u>	<u>Capital and Nonrecurring</u>	<u>School Renovations</u>	<u>Vernon E. Cleaves Vo-ag Center</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
General property taxes	\$ 101,282	\$	\$	\$	\$	\$ 101,282
Licenses and permits	469					469
Intergovernmental revenues	31,491			5,563	11,092	48,146
Charges for services	3,681				3,849	7,530
Investment income	268				11	279
Other	2,153				275	2,428
Total revenues	<u>139,344</u>	<u>-</u>	<u>-</u>	<u>5,563</u>	<u>15,227</u>	<u>160,134</u>
Expenditures:						
Current:						
General government	19,436				43	19,479
Public safety	14,741				75	14,816
Public works	6,461				871	7,332
Health and social services	2,195				572	2,767
Parks and recreation	1,058				626	1,684
Education	89,377				12,759	102,136
Capital outlay		1,147	17	9,797	1,201	12,162
Debt service	6,986					6,986
Total expenditures	<u>140,254</u>	<u>1,147</u>	<u>17</u>	<u>9,797</u>	<u>16,147</u>	<u>167,362</u>
Excess (deficiency) of revenues over expenditures	<u>(910)</u>	<u>(1,147)</u>	<u>(17)</u>	<u>(4,234)</u>	<u>(920)</u>	<u>(7,228)</u>
Other financing sources (uses):						
Transfers in	2,481	1,965			12	4,458
Transfers out	(1,977)	(353)			(163)	(2,493)
Total other financing sources (uses)	<u>504</u>	<u>1,612</u>	<u>-</u>		<u>(151)</u>	<u>1,965</u>
Net change in fund balances	(406)	465	(17)	(4,234)	(1,071)	(5,263)
Fund balance, beginning of year	<u>20,697</u>	<u>3,266</u>	<u>(5,397)</u>		<u>10,539</u>	<u>29,105</u>
Fund Balance, End of Year	<u>\$ 20,291</u>	<u>\$ 3,731</u>	<u>\$ (5,414)</u>	<u>\$ (4,234)</u>	<u>\$ 9,468</u>	<u>\$ 23,842</u>

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TOWN OF WALLINGFORD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (5,263)
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Governmental funds report capital outlays as expenditures. In the statement of activities,
the cost of those assets is allocated over their estimated useful lives and reported as
depreciation expense:

Capital outlay	12,162
Depreciation expense	(6,803)

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

School building grant receipts	17
Property tax receivable - accrual basis change	38
Property tax interest and lien revenue - accrual basis change	(383)
Other accounts receivable - accrual basis change	120

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

Bond principal payments	5,061
Capital lease payments	334

Some expenses reported in the statement of activities do not require the use of current financial
resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(631)
Net OPEB obligation	(1,978)
Self-insurance claims	1,722
Retired employee obligations	(301)
Accrued interest	59
Amortization of deferred charge on refunding	13

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

 (89)

Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u>4,078</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDSJUNE 30, 2010
(In Thousands)

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service
Assets:					
Current assets:					
Cash and cash equivalents	\$ 14,760	\$ 3,292	\$ 5,352	\$ 23,404	\$ 230
Restricted cash	3,081	342		3,423	
Receivables, net	9,321	2,498	2,163	13,982	87
Inventories	772	293		1,065	
Deferred charges	382			382	
Due from other funds					3,156
Other assets	237		8	245	
Total current assets	28,553	6,425	7,523	42,501	3,473
Noncurrent assets:					
Capital assets, net	40,971	37,959	34,389	113,319	
Total assets	69,524	44,384	41,912	155,820	3,473
Liabilities:					
Current liabilities:					
Accounts payable and accrued expenses	7,146	980	691	8,817	3,168
Bond and notes payable		597	327	924	
Compensated absences	206	268	175	649	
Total	7,352	1,845	1,193	10,390	3,168
Current liabilities payable from restricted assets:					
Customer deposits payable	3,081			3,081	
Total current liabilities	10,433	1,845	1,193	13,471	3,168
Noncurrent liabilities:					
Bond and notes payable		1,813	2,201	4,014	
Compensated absences	739	327	214	1,280	
Risk management claims					
Total noncurrent liabilities	739	2,140	2,415	5,294	-
Total liabilities	11,172	3,985	3,608	18,765	3,168
Net Assets:					
Invested in capital assets, net of related debt	40,971	35,549	31,861	108,381	
Restricted for conservation programs	320			320	
Unrestricted	17,061	4,850	6,443	28,354	305
Total Net Assets	\$ 58,352	\$ 40,399	\$ 38,304	\$ 137,055	\$ 305

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDSFOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service
Operating revenues:					
Operations	\$ 77,478	\$ 5,871	\$ 4,941	\$ 88,290	\$
Fund premiums					19,992
Other	291	188	212	691	
Total operating revenues	<u>77,769</u>	<u>6,059</u>	<u>5,153</u>	<u>88,981</u>	<u>19,992</u>
Operating expenses:					
Operations	70,024	4,351	4,238	78,613	
Depreciation	3,232	1,652	1,962	6,846	
Gross earnings and property taxes	1,422			1,422	
Employee benefits					18,625
Other					1,458
Total operating expenses	<u>74,678</u>	<u>6,003</u>	<u>6,200</u>	<u>86,881</u>	<u>20,083</u>
Operating income (loss)	<u>3,091</u>	<u>56</u>	<u>(1,047)</u>	<u>2,100</u>	<u>(91)</u>
Nonoperating income (loss):					
Lease income	777	103		880	
Loss on disposal of fixed assets	(9)			(9)	
Interest and amortization expense		(110)	(76)	(186)	
Interest on customer deposits	(5)			(5)	
Investment income	42	53	55	150	2
Total nonoperating income (loss)	<u>805</u>	<u>46</u>	<u>(21)</u>	<u>830</u>	<u>2</u>
Net income (loss) before contributions and transfers	3,896	102	(1,068)	2,930	(89)
Capital grants and contributions		374	439	813	
Transfers out	<u>(1,965)</u>			<u>(1,965)</u>	
Change in net assets	1,931	476	(629)	1,778	(89)
Total net assets, beginning of year	<u>56,421</u>	<u>39,923</u>	<u>38,933</u>	<u>135,277</u>	<u>394</u>
Total net assets, end of year	<u>\$ 58,352</u>	<u>\$ 40,399</u>	<u>\$ 38,304</u>	<u>\$ 137,055</u>	<u>\$ 305</u>

The accompanying notes are an integral part of these financial statements

TOWN OF WALLINGFORD, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Business-Type Activities				Governmental Activities
	Electric Fund	Water Fund	Sewer Fund	Total	Internal Service
Cash flows from operating activities:					
Cash received from operations	\$ 75,858	\$ 6,418	\$ 5,093	\$ 87,369	\$ 18,070
Cash payments to vendors and other	(67,227)	(1,783)	(2,512)	(71,522)	(18,135)
Cash payments to employees	(2,560)	(2,560)	(1,726)	(6,846)	
Net cash provided by (used in) operating activities	<u>6,071</u>	<u>2,075</u>	<u>855</u>	<u>9,001</u>	<u>(65)</u>
Cash flows from capital and related financing activities:					
Lease income	777	103		880	
Capital grants		374	439	813	
Purchase of capital assets	(3,052)	(3,231)	(555)	(6,838)	
Principal payment on bonds and notes		(659)	(313)	(972)	
Interest paid on bonds and notes		(110)	(76)	(186)	
Net cash used in capital and related financing activities	<u>(2,275)</u>	<u>(3,523)</u>	<u>(505)</u>	<u>(6,303)</u>	<u>-</u>
Cash flows from noncapital financing activities:					
Customer deposits	(5)			(5)	
Transfers to other funds and agencies	(1,965)			(1,965)	
Net cash used in noncapital and related financing activities	<u>(1,970)</u>	<u>-</u>	<u>-</u>	<u>(1,970)</u>	<u>-</u>
Cash flows from investing activities:					
Income on investments	42	53	55	150	2
Net cash provided by investing activities	<u>42</u>	<u>53</u>	<u>55</u>	<u>150</u>	<u>2</u>
Net increase (decrease) in cash and cash equivalents	1,868	(1,395)	405	878	(63)
Cash and cash equivalents, beginning of year	<u>15,973</u>	<u>5,029</u>	<u>4,947</u>	<u>25,949</u>	<u>293</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,841</u>	<u>\$ 3,634</u>	<u>\$ 5,352</u>	<u>\$ 26,827</u>	<u>\$ 230</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 3,091	\$ 56	\$ (1,047)	\$ 2,100	\$ (91)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	3,232	1,652	1,962	6,846	
Loss on sale of property	(9)			(9)	
(Increase) decrease in receivables and unbilled revenue	(1,911)	359	(60)	(1,612)	(87)
(Increase) decrease in due from other funds				-	(1,835)
(Increase) decrease in inventory	(126)	21		(105)	
(Increase) decrease in deferred charges and other assets	(62)			(62)	
Increase (decrease) in accounts payable and accrued expenses	1,856	(13)	-	1,843	1,948
Total adjustments	<u>2,980</u>	<u>2,019</u>	<u>1,902</u>	<u>6,901</u>	<u>26</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 6,071</u>	<u>\$ 2,075</u>	<u>\$ 855</u>	<u>\$ 9,001</u>	<u>\$ (65)</u>
Noncash investing, capital and financing activities:					
Amortization of deferred amounts on refunding	\$	\$ (6)	\$	\$ (6)	\$

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2010

(In Thousands)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 4,257	\$ 991
Investments:		
Common stock equities	62,853	
Corporate bonds	13,160	
U.S. governmental agencies obligations	32,846	
Other	376	224
Accrued interest receivable	<u>560</u>	
Total assets	<u>114,052</u>	\$ <u><u>1,215</u></u>
Liabilities:		
Accounts and other payables	396	\$
Due to other funds	916	
Due to student groups and agencies	<u></u>	<u>1,215</u>
Total liabilities	<u>1,312</u>	\$ <u><u>1,215</u></u>
Net Assets:		
Held in trust for pension benefits	\$ <u><u>112,740</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
PENSION TRUST FUNDFOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 3,685
Plan members	2,391
Total contributions	<u>6,076</u>
Investment income (loss):	
Net appreciation in fair value of investments	11,513
Interest and dividends	3,108
Other income	178
Investment fee expense	(560)
Total investment income	<u>14,239</u>
Total additions	<u>20,315</u>
Deductions:	
Benefits	9,972
Refunds of contributions	377
Administration	104
Total deductions	<u>10,453</u>
Net increase	9,862
Net assets held in trust for pension benefits, beginning of year	<u>102,878</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 112,740</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WALLINGFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in May 1670 under the provisions of the State of Connecticut General Assembly. It operates under a Mayor-Council form of government and provides services as authorized by its charter including public safety (police and fire), sanitation, health, recreation, social services, libraries, education, planning and zoning, and general administrative services.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements (except for Agency Funds, which have no 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

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

The Capital and Nonrecurring Fund accounts for the resources accumulated and expenditures made for the construction of capital facilities and other capital improvements and equipment purchases.

The School Renovations Fund accounts for the resources accumulated and expenditures made for the Town's \$72.3 million school renovation program.

The Vernon Cleaves Vo-Ag Center Fund accounts for the resources accumulated and expenditures made for the construction of the vocational agricultural center on the campus of Lyman Hall High School.

The Town reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage treatment plant, sewage pumping stations and collection systems.

The Water Fund accounts for the activities of the water plant, the collection system, the storage facilities and the pumping system.

The Electric Fund accounts for the activities of the Town's electric distribution operations.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the health benefits and risk management activities of the Town.

The Pension Trust Fund accounts for the activities of the Consolidated Pension Fund and the Volunteer Firefighters Pension Fund, which accumulates resources for pension benefit payments to qualified participants.

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

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

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

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

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

D. Deposits and Investments

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

E. Receivables and Payables

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

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of 1-1/2% per month. The Town is not a part of any overlapping government that assesses separate property taxes. An amount of \$525 has been established as an allowance for uncollected taxes. At June 30, 2010, this represents 16.0% of property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation or policy.

Accumulated vacation and sick time is recognized as a liability of the Town in the statement of net assets.

I. Long-Term Obligations

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

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

J. Fund Equity

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Departmental managers submit their budgets to the finance department 120 days prior to year-end for the fiscal year commencing the following July 1. Thirty days later, the Mayor and Comptroller present the proposed operating budget to the Town Council. The operating budget includes proposed expenditures and the means of financing them. The Town Council holds a public hearing to obtain taxpayer comments, and the budget is legally adopted through passage of an ordinance prior to June 1. The enterprise funds are also under the same budgetary control.

Supplemental budget appropriations must be adopted by the Town Council. During the fiscal year ended June 30, 2010, there were General Fund supplemental budget appropriations totaling \$255. This amount was offset by increased adopted revenue sources totaling \$255. A negative appropriation of \$3,059 was also made to offset the grant revenue that went directly to the Board of Education.

In the General Fund, capital purchase appropriations in force of \$790 were carried forward from prior years.

The annual budget is approved at the line-item level. The Town issues a separately prepared budget report by line item to comply with this legal requirement. Upon approval of the Town Council, transfers from one budgetary line to another, or from contingency accounts, may be made within a department. Transfers between departments can be made upon request of the Mayor and by passage of a resolution by the Council during the last three months of the fiscal year. Appropriations lapse at year-end except appropriations of the capital projects funds, which continue until completion of the applicable project.

The General Fund is the only governmental fund with a legally adopted annual budget.

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

B. Deficit Fund Equity

Major Funds:		
School Renovations	\$	5,414**
Vernon E. Cleaves Vo-ag Center		4,234**
Nonmajor Funds:		
Special Revenue Funds:		
Off System Local Accident Reduction Program		6*
Capital Project Funds:		
Whirlwind Hill Road		294**
Sheehan Field and Track		196**
Christian Street Bridge		79*
Dibble Edge Road		330**
Workers' Compensation Fund		1,770*

* Deficit will be funded through receipt of additional program revenues or through transfers from the General Fund.

** Deficit will be funded through permanent financing or through transfers from the General Fund.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$23,997 of the Town’s bank balance of \$25,280 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	11,296
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>12,701</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>23,997</u></u>

Cash Equivalents

At June 30, 2010, the Town's cash equivalents amounted to \$31,055. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
Cutwater Asset Management - Connecticut Cooperative Liquid Assets Securities System (CLASS) Plus	AAA/m

Investments

As of June 30, 2010, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 – 10	More Than 10
Interest-bearing investments:					
Corporate bonds	A- -AAA	\$ 8,629	\$	\$ 7,468	\$ 1,161
Corporate bonds	B-BBB+	3,819		3,231	588
Corporate bonds	N/A	712			712
Asset and mortgage backed bonds	N/A	376		376	
U.S. Government agencies	AAA	32,846		7,583	25,263
Certificates of deposit	*	224		224	
Total		46,606	\$ -	\$ 18,882	\$ 27,724
Other investments:					
Common stock		62,853			
Total Investments		\$ 109,459			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A Not applicable

Interest Rate Risk - The Town's formal investment policy limits short-term investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Short-term investment maturities are allowed to range from seven days to one year. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town's investment policy further limits its investment choices. Derivatives, leveraged investments, repurchase agreements and reverse repurchase agreements are not used because of the unacceptable exposure to risk from these investment products.

Concentration of Credit Risk - The Town's investment policy does not restrict investments in any one issuer that is in excess of 5% of the Town's total investments. The investment policy does limit pooled investments in the management of pension funds; however, no additional restrictions on individual investments are established in the policy.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's formal investment policy includes sections regarding safekeeping and custody of investments to mitigate custodial credit risk. At June 30, 2010, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

4. RECEIVABLES

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

	<u>General</u>	<u>Capital and Non- recurring</u>	<u>School Renovations</u>	<u>Vernon E. Cleaves Vo-ag Center</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:									
Taxes	\$ 3,281	\$	\$	\$	\$	\$	\$	\$	\$ 3,281
Accrued interest	1,562							560	2,122
Intergovernmental	829	101	812	1,184				297	3,223
Service fees and interest					6,536	502	408		7,446
Unbilled service fees					2,809	1,904	1,721		6,434
Accounts and other	680				109	92	34	89	1,004
Gross receivables	<u>6,352</u>	<u>101</u>	<u>812</u>	<u>1,184</u>	<u>9,454</u>	<u>2,498</u>	<u>2,163</u>	<u>946</u>	<u>23,510</u>
Less allowance for uncollectibles:									
Taxes	(525)								(525)
Interest on taxes	(187)								(187)
Service fees					(133)				(133)
Accounts	(211)								(211)
Total allowance	<u>(923)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,056)</u>
Net Total Receivables	<u>\$ 5,429</u>	<u>\$ 101</u>	<u>\$ 812</u>	<u>\$ 1,184</u>	<u>\$ 9,321</u>	<u>\$ 2,498</u>	<u>\$ 2,163</u>	<u>\$ 946</u>	<u>\$ 22,454</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 2,837	\$	\$ 2,837
Accrued interest on delinquent property taxes	850		850
Other accounts receivable	260		260
Advance tax collections		322	322
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		131	131
Advance program fees		311	311
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 3,947</u>	<u>\$ 764</u>	<u>\$ 4,711</u>

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,749	\$ 1,031	\$	\$ 30,780
Construction in progress	21,727	10,332	(285)	31,774
Total capital assets not being depreciated	<u>51,476</u>	<u>11,363</u>	<u>(285)</u>	<u>62,554</u>
Capital assets being depreciated:				
Land improvements	5,140			5,140
Buildings and improvements	207,823			207,823
Vehicles, machinery and equipment	21,770	1,646	(784)	22,632
Infrastructure	70,889	285		71,174
Total capital assets being depreciated	<u>305,622</u>	<u>1,931</u>	<u>(784)</u>	<u>306,769</u>
Less accumulated depreciation for:				
Land improvements	(2,147)	(256)		(2,403)
Buildings and improvements	(57,457)	(4,556)		(62,013)
Vehicles, machinery and equipment	(19,097)	(1,032)	784	(19,345)
Infrastructure	(37,906)	(959)		(38,865)
Total accumulated depreciation	<u>(116,607)</u>	<u>(6,803)</u>	<u>784</u>	<u>(122,626)</u>
Total capital assets being depreciated, net	<u>189,015</u>	<u>(4,872)</u>	<u>-</u>	<u>184,143</u>
Governmental Activities Capital Assets, Net	<u>\$ 240,491</u>	<u>\$ 6,491</u>	<u>\$ (285)</u>	<u>\$ 246,697</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 679	\$ 34	\$	\$ 713
Construction in progress	256	1,943		2,199
Total capital assets not being depreciated	<u>935</u>	<u>1,977</u>	<u>-</u>	<u>2,912</u>
Capital assets being depreciated:				
Utility plant	92,740	598		93,338
Infrastructure	117,073	471	(68)	117,476
Machinery and equipment	27,187	3,805	(317)	30,675
Total capital assets being depreciated	<u>237,000</u>	<u>4,874</u>	<u>(385)</u>	<u>241,489</u>
Less accumulated depreciation for:				
Utility plant	(45,747)	(4,243)		(49,990)
Infrastructure	(59,681)	(1,548)	55	(61,174)
Machinery and equipment	(19,180)	(1,055)	317	(19,918)
Total accumulated depreciation	<u>(124,608)</u>	<u>(6,846)</u>	<u>372</u>	<u>(131,082)</u>
Total capital assets being depreciated, net	<u>112,392</u>	<u>(1,972)</u>	<u>(13)</u>	<u>110,407</u>
Business-Type Activities Capital Assets, Net	<u>\$ 113,327</u>	<u>\$ 5</u>	<u>\$ (13)</u>	<u>\$ 113,319</u>

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

Governmental activities:

General government	\$	148
Public safety		490
Public works		1,339
Parks and recreation		498
Education		<u>4,328</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>6,803</u></u>
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Business-type activities:

Electric	\$	3,232
Water		1,652
Sewer		<u>1,962</u>

Total Depreciation Expense - Business-Type Activities	\$	<u><u>6,846</u></u>
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Construction Commitments

The Town has active construction projects as of June 30, 2010. At year end, the projects unexpended authorization available to fund commitments with contractors is as follows:

Description	<u>Cumulative Authorization</u>	<u>Current Expenditure</u>	<u>Cumulative Expenditure</u>	<u>Balance June 30, 2010</u>
School Renovations	\$ 72,367	\$ 17	\$ 72,267	\$ 100
Library Expansion	12,065	33	11,763	302
Vernon E. Cleaves Vo-Ag	<u>27,808</u>	<u>9,797</u>	<u>27,202</u>	<u>606</u>
Total	\$ <u><u>112,240</u></u>	\$ <u><u>9,847</u></u>	\$ <u><u>111,232</u></u>	\$ <u><u>1,008</u></u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2010 is presented below.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ 905
General	Vernon E. Cleaves Vo-ag Center	5,077
General	Pension Trust Fund	916
General	School Renovations	6,226
Capital and Nonrecurring	General	3,902
Nonmajor Governmental	General	8,742
Internal Service Fund	General	3,156
Total		<u>\$ 28,924</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>			
	<u>General</u>	<u>Capital and Nonrecurring</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 1,965	\$ 12	\$ 1,977
CNR	353			353
Nonmajor Governmental	163			163
Electric Fund	1,965			1,965
Total	<u>\$ 2,481</u>	<u>\$ 1,965</u>	<u>\$ 12</u>	<u>\$ 4,458</u>

General Fund transfers are made in accordance with budget appropriations. The General Fund transfers to other funds are primarily for the purpose of establishing local funding for capital projects to reduce bonding. The transfer from the Electric Fund to the General Fund represents a payment in lieu of taxes. The General Fund uses the payment in lieu of taxes to fund budgeted transfers to the Capital and Nonrecurring Fund.

7. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:	\$ 48,400	\$	\$ 5,061	\$ 43,339	\$ 3,351
Plus deferred amount on refunding	<u>98</u>		<u>13</u>	<u>85</u>	
Total bonds payable	48,498		5,074	43,424	3,351
Capital leases	558		334	224	180
Accrued compensated absences	11,935	913	282	12,566	2,225
Retired employee obligations	25	660	359	326	173
Net OPEB Obligation	2,963	1,978		4,941	
Risk management*	<u>1,722</u>	<u>2,381</u>	<u>2,226</u>	<u>1,877</u>	
Total Governmental Activities					
Long-Term Liabilities	\$ <u>65,701</u>	\$ <u>5,932</u>	\$ <u>8,275</u>	\$ <u>63,358</u>	\$ <u>5,929</u>

* Estimated current portion of risk management claims is recorded as a payable in the fund statements in addition to the long-term liability noted above.

All long-term liabilities are generally liquidated by the General Fund.

A schedule of government activities bonds outstanding at June 30, 2010 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2010</u>
General purpose:				
Library and Land Acquisition	03/15/07	3.80-4.00%	\$ 9,900	\$ 8,175
Library	06/01/08	3.25-5.00%	4,500	3,900
CNR (refunding of 2000)	03/19/09	2.50-5.00%	2,525	<u>2,514</u>
Total general purpose				<u>14,589</u>
School:				
Schools	12/15/03	2.50-4.50%	10,000	7,000
Schools	03/15/05	3.25-5.00%	18,000	13,500
Schools	03/15/07	3.80-4.00%	5,100	4,350
Schools	06/01/08	3.25-5.00%	4,500	<u>3,900</u>
Total schools				<u>28,750</u>
Total				\$ <u>43,339</u>

Annual maturities of bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,351	\$ 1,671	\$ 5,022
2012	3,340	1,547	4,887
2013	3,329	1,430	4,759
2014	3,290	1,316	4,606
2015	3,279	1,203	4,482
2016-2020	14,000	4,219	18,219
2021-2025	11,625	1,505	13,130
2026-2027	<u>1,125</u>	<u>67</u>	<u>1,192</u>
Total	\$ <u>43,339</u>	\$ <u>12,958</u>	\$ <u>56,297</u>

Prior Year Defeasance of Debt

In prior years, the Town had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2010, \$4,550 of bonds outstanding is considered defeased.

Capital Leases

The Board of Education has entered into various multi-year capital lease agreements as lessee for financing the acquisition of computer equipment and software.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2010.

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 186
2012	<u>45</u>
Total payments	231
Less interest	<u>(7)</u>
Principal Balance	\$ <u>224</u>

The net undepreciated value approximates the capital lease principal balance payable at June 30, 2010. Items capitalized associated with these leases are recorded under the vehicles, machinery and equipment capital asset classification.

Compensated Absences

Employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provide for payments to vested employees.

The following is a summary of management's estimate of the vested and nonvested potential liability for lump sum payments to employees.

	<u>June 30, 2010</u>
Vested:	
Sick	\$ 5,712
Vacation	949
Nonvested:	
Sick	<u>5,905*</u>
Total	\$ <u><u>12,566</u></u>

* Based on estimated percentage of total nonvested obligation that potentially will vest in future years.

Landfill Closure

The Connecticut Resources Recovery Authority (CRRA), a public instrumentality of the State of Connecticut, has leased and operated the Town-owned landfill since 1988 as part of its waste-to-energy project. Under the terms of the lease, CRRA is responsible for closure and postclosure care. CRRA receives its revenues primarily from the sale of energy and from tip fees charged to five municipalities, including Wallingford, for waste disposal. A reserve fund for postclosure costs has been established by CRRA, and additional funding is added to it each year. The Town does not have any current costs for closure and post closure care.

Business-Type Activities

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Bonds payable	\$ 4,315	\$		\$	879	\$	3,436	\$	824
Less deferred amount on refunding	(18)				(6)		(12)		
State of Connecticut - serial notes	<u>1,613</u>				<u>100</u>		<u>1,513</u>		<u>100</u>
Total bonds and serial notes payable	5,910		-		973		4,937		924
Accrued compensated absences	<u>1,982</u>		<u>616</u>		<u>668</u>		<u>1,930</u>		<u>649</u>
Business-Type Activity									
Long-Term Liabilities	<u>\$ 7,892</u>	\$	<u>616</u>	\$	<u>1,641</u>	\$	<u>6,867</u>	\$	<u>1,573</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2010 is presented below:

Description	Date of Issue	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2010
Water Division:				
Water Treatment Plan Refunding	12/15/2003	2.00-3.00%	\$ 3,801	\$ 664
Water Supply Project Refunding	03/15/2005	3.00-5.00%	485	215
Water Supply Project Refunding	03/19/2009	2.50-5.00%	1,550	1,541
Total water obligations				<u>2,420</u>
Sewer Division:				
Sewer Pump Station - Durham Road	12/1/1997	4.00-6.00%	1,330	490
Sewer Treatment Plant Refunding	12/15/2003	2.00-3.00%	404	71
South Elm Street Refunding	3/15/2005	3.00-5.00%	1,030	455
State of Connecticut Serial Note 479-C	8/11/2005	2.00%	1,997	1,513
Total sewer obligations				<u>2,529</u>
Total				<u>\$ 4,949</u>

Annual maturities of bonds and serial notes are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 924	\$ 182	\$ 1,106
2012	900	107	1,007
2013	531	87	618
2014	525	72	597
2015	336	56	392
2016-2020	1,223	131	1,354
2021-2025	502	26	528
2026	<u>8</u>	<u></u>	<u>8</u>
Total	<u>\$ 4,949</u>	<u>\$ 661</u>	<u>\$ 5,610</u>

Bonds Authorized/Unissued

Bonds authorized/unissued for which bonds or notes are outstanding are as follows:

Description	Authorized	Bonds Issued	Grants Received	Authorized Unissued
Town-Wide School System Renovations	\$ 72,270	\$ 37,600	\$ 27,302	\$ 7,368
Library Expansion	<u>12,065</u>	<u>10,500</u>	<u>500</u>	<u>1,065</u>
Total	<u>\$ 84,335</u>	<u>\$ 48,100</u>	<u>\$ 27,802</u>	<u>\$ 8,433</u>

Debt Limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 227,916	\$ 15,654	\$ 212,262
Schools	455,832	34,512	421,320
Sewers	379,860	2,420	377,440
Urban renewal	329,212		329,212
Pension deficit	303,888		303,888

The total of the Town's net statutory indebtedness of \$52,586 does not exceed the legal debt limitation of \$709 million (seven times the base for debt limitation computation).

The net indebtedness excludes water bonds of \$2,529, which are considered to be self-funding.

An estimated 40% or \$28,908 of a Town-wide school system renovation authorization totaling \$72,270 will be received from the State in the form of proportional progress payments for eligible construction costs during certain construction phases of the projects. Progress payments received to date total \$27,302, leaving a balance of \$1,606 in anticipated progress payments during the remaining construction phases of the projects.

8. FUND EQUITY

A. Fund Balance

The following is a description of the various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts.

Reserved for Trusts - represents the amount of funds accumulated in other governmental funds to pay for specific endowment activities.

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Fund balance reserves are as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Encumbrances	\$ 1,130	\$ 846
Trusts		1,480
Inventory		112
Total	<u>\$ 1,130</u>	<u>\$ 2,438</u>

B. Fund Balance - Designations

General Fund

The amount of \$790 has been designated for re-appropriation to facilitate the continuation of General Fund budgeted funds for capital purchases that were not purchased or reserved for as of June 30, 2010.

The amount of \$5,000 has been designated to balance the General Fund budget for the 2010-2011 fiscal year.

C. Electric Fund - Restricted Net Assets

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy Conservation and Load Management Fund (the Fund) on behalf of the Town of Wallingford. The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring municipalities to contribute to and CMEEC to administer the Fund. The Town's contribution rate for calendar year 2008 is 1.0 mill per kilowatt hour sold. Contributions are sent by the Town to CMEEC for deposit into the Fund. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan.

Investment income earned on the Town's deposits along with the Funds authorized expenses during the year are recorded in the Electric Fund's statement of activities. The funds held by CMEEC on behalf of the Town are recorded as an asset on the Electric Fund's statement of net assets, and, accordingly, the Electric Fund's net assets have been restricted. The balance of unexpended funds held by CMEEC on behalf of the Town was \$38 at June 30, 2010.

9. ELECTRIC DIVISION - POWER SUPPLY AGREEMENT AND SPECIAL FUNDS

Effective January 1, 1995, the Town entered into a System Power Sales Agreement (SPSA) with the Connecticut Municipal Electric Energy Cooperative (CMEEC) and Connecticut Light & Power Company (CL&P), a wholly owned subsidiary of Northeast Utilities (NU), and an Electric Power Supply Contract (Power Contract) with CMEEC. The Power Contract between the Town and CMEEC was amended and restated on February 27, 2004. The SPSA and Power Contract each have initial 10-year terms. The Power Contract is a "full requirements" contract pursuant to which Wallingford is required to purchase from CMEEC, and CMEEC is required to sell to Wallingford, essentially all electric capacity and energy that Wallingford requires for sale at retail. The Power Contract was extended for an additional three years, extending the term of the contract through December 31, 2012.

On July 1, 2006, the Town entered into a Sale of Pierce Project Electric Power and Energy (Pierce Project) with CMEEC to enable the Town to purchase power from the Pierce Project in the event the original Power Contract currently due to expire on December 31, 2012 is not extended. The initial term of the contract would commence immediately following the termination date and non-extension of the original Power Contract and continue through December 31, 2021.

CMEEC is a public corporation organized under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its members and others. The Act permits any Connecticut municipality that has an electric utility department to become a CMEEC Member. CMEEC, on behalf of its members and Wallingford, acts as a single integrated participant to New England Power Pool (NEPOOL) under the NEPOOL Agreement.

Wallingford is not a member of CMEEC, but the Power Contract enables it to purchase electric power and energy from CMEEC and confers other rights and responsibilities on Wallingford on essentially the same terms as CMEEC members. Wallingford is entitled to participate in and vote at CMEEC Board of Director Meetings provided; however, in any instance where the vote of Wallingford would result in a tie or change the result, the vote is required to be recast excluding Wallingford. During the term of the Power Contract, Wallingford may seek to become a Member of CMEEC upon terms and conditions as CMEEC and Wallingford may agree, and the CMEEC Board of Directors has endorsed the concept of Wallingford membership in CMEEC.

Pursuant to the Power Contract, Wallingford has covenanted to maintain electric rates which, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC under the Power Contract.

All payments due to CMEEC under the Power Contract are agreed to constitute operating expenses of the Electric Division and shall not be subordinated to any other obligations of Wallingford. In addition, Wallingford has agreed not to execute or adopt any instrument securing or issuing bonds, notes, leases or other evidences of indebtedness which are payable from and secured by liens on the revenue derived from the ownership or operation of its electric system without providing for the payment of operating expenses (including payment to be made under the Wallingford Power Sales Contract) from such revenues ahead of debt service on such bonds, notes, leases or other evidence of indebtedness.

The foregoing discussion of the Power Contract, SPSA and Special Funds is intended to be a summary of such contracts and funds and is qualified in its entirety by reference to the contracts themselves, which may be obtained from the Town.

Pierce Plant Special Project - Connecticut Municipal Electric Energy Cooperative (CMEEC)

In accordance with Sections 1.19 and 3.1 of the Amended and Restated Contract for the supply of electric power and energy between CMEEC and the Town of Wallingford, on July 1, 2006 Amendment No. 1 to the Power Contract was approved. The contract was amended to clarify the Town's participation and obligations with respect to debt issued by CMEEC to finance the cost of acquisition and construction of the Pierce Station Project - a peaking electric generating facility. Under the terms of the amendment, the Town will pay a portion of the fixed costs related to the Pierce Station Project whether or not any capacity or energy is delivered or made. The fixed cost obligation related to the Pierce Station Project will survive any termination of the Contract for sale of Pierce Project Electric Power and Energy dated July 1, 2006.

CMEEC issued \$42.5 million of revenue bonds to finance the project. The Department's entitlement allocation was authorized to be 32.872%. In January 2008, the Pierce Plant became operational, and a monthly net benefit for the Town's estimated annual entitlement allocation was set by CMEEC. The initial benefit rate was established at 1.47 per MWH of electric power purchased by the Department from CMEEC. For the fiscal year ended June 30, 2010, the Town realized a net benefit of \$854 from the Pierce Plant Project recognized as credit to the Electric Division purchase power expense.

10. LEASES

Lease Agreement as Lessor

Under the terms of a lease dated March, 8 2000, the Town's Electric Division receives \$550 annually for the lease of land onto which a gas-fired electric power generating station facility was constructed. The effective date of the 25-year lease period began on May 31, 2000. The \$550 lease annual lease payment is recorded as lease income in the Electric Division as nonoperating revenue.

On July 1, 2006, the Town and CMEEC entered into a lease agreement providing for CMEEC's lease of land, buildings and other structures at the Town's former Alfred L. Pierce electric generating station. The operating lease provides for monthly rental income of \$8 during the period prior to commencement of commercial operations at the former station. Following commencement of operations, \$300 of rent will be generated annually for a five-year period. Beginning with the sixth year of the initial term of the lease, rent will be increased 1.5% annually. The initial term of the lease will end on December 31, 2027. An extension provision for an additional five-year period is provided for in the agreement. The Town will allocate 50% of the rental income to the Town's Electric Division and fifty percent to the Town's General Fund.

11. RISK MANAGEMENT

The Town procures insurance policies with commercial insurance companies to protect itself against various risk exposures such as general liability, property damage and professional liability. The Town's Legal Counsel defends the Town in any lawsuits that arise from the normal course of operations.

During fiscal year 2010, the Town formed a workers' compensation fund and is self-insured for claims up to a maximum of \$500,000. The Town purchases commercial insurance for claims in excess of self-insured coverage. There is an individual claim maximum of \$500,000. Settled claims have not exceeded coverage in any of the past three years. The Town's third-party administrator estimates claims payable for incurred claims as of June 30, 2010 at \$1,877 for workers' compensation and heart and hypertension claims.

The Town administers the medical self-insurance program through the Health Benefits fund. The Town has an Anthem Blue Cross/Blue Shield medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem Blue Cross/Blue Shield acts as a claims processor and a transfer of risk does not occur.

All funds of the Town participate in the program and make payments to the Health Benefits Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2010, \$17.1 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$1.2 million have been accrued as a liability based upon information supplied by the Town's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

The changes in the claims liability were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
<u>Workers' Compensation Fund</u>				
2009-2010	\$ 1,722	\$ 2,381	\$ 2,226	\$ 1,877
<u>Health Benefits Fund</u>				
2008-2009	-	17,671	16,451	1,220
2009-2010	1,220	15,678	15,607	1,291

12. OTHER POSTEMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the Town and the various unions representing Town employees. The Town provides postemployment healthcare benefits, in accordance with current contracts, to Board of Education certified teachers and administrators who retire from the Town in accordance with criteria listed in Note 13. For those employees who terminate without retirement, healthcare benefits continue for 30 days after termination.

Retiree health insurance is provided as a combination of HMO and indemnity coverage, with the retiree selecting the type of coverage. The Town pays for a major portion or all of the total health insurance cost for retirees depending on the coverage election. The Town pays approximately 50% of the cost of coverage for dependents and surviving spouses eligible to participate in the group plan. The remainder of the premium is paid by the retirees for their dependents or the surviving spouse for themselves.

The Town also provides health care benefits to retired police and fire employees as well as chiefs and assistant chiefs, in accordance with union contracts. When they retire, police and fire employees may have up to 50% of their health care benefits paid for by the Town until they reach age 65.

Funding Policy

The Town's current strategy is to fund current claims and administrative costs for postemployment benefits through its purchase of premium-based coverage.

Although a trust fund may be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town's current commitment is to fund the other post employment benefits provided to Town retirees on a pay-as-you-go basis.

The Town has not established an OPEB Trust fund, as of June 30, 2010, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The following is the current census of Town benefit participants as of July 1, 2008:

	<i>(not rounded)</i>
Active members	1,260
Retirees and spouses	<u>265</u>
Total	<u><u>1,525</u></u>

Postemployment retiree benefit payments for the year ended June 30, 2010, net of retiree and other contributions, amounted to approximately \$1,835.

Annual OPEB Cost and Net OPEB Obligations

The Town of Wallingford's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation (asset):

	Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$ 3,859
Interest on net OPEB obligation	119
Adjustment to annual required contribution	<u>(165)</u>
Annual OPEB cost	3,813
Contributions made	<u>(1,835)</u>
Increase in net OPEB obligation	1,978
Net OPEB obligation, beginning of year	<u>2,963</u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,941</u></u>

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/08	\$ 3,178	\$ 1,992	62.7%	\$ 1,186
6/30/09	3,764	1,987	52.8	2,963
6/30/10	3,813	1,835	48.1	4,941

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date.

An annual healthcare cost trend rate of 10% is used initially, decreasing 1% per year to an ultimate rate of 5% for 2013 and later. The remaining amortization period at July 1, 2008 was 30 years. As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$47 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$47 million.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Data is only presented starting with July 1, 2006 due to this being the first valuation.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability(AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
7-1-06	\$ -0-	\$ 37,961	0%	\$ 77,666	49%
7-1-07	-0-	45,904	0	75,921	60
7-1-08	-0-	46,553	0	78,864	59

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2008	\$ 3,178	62.7%
6/30/2009	3,783	52.8
6/30/2010	3,859	48.1

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Wallingford Consolidated Pension Plan

A. Plan Description

The Town of Wallingford is the administrator of the Town's Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system (PERS) established and administered by the Town to provide pension benefits to all full-time noncertified employees. The Plan is considered to be part of the Town of Wallingford's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The Plan does not issue a stand-alone report.

Membership as of July 1, 2009 of the PERS consisted of the following:

	Number of Employees
Retirees and beneficiaries currently receiving benefits	406
Terminated employees not yet receiving benefits	104
Active plan members:	
Vested	528
Nonvested	190
Total	<u>1,228</u>

Members are required to contribute to the Plan and the Town is required to contribute amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the Town and may be amended only by the Town Charter and Union negotiation.

The following summarizes the major provisions of the plan. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Regular Employees

Normal Retirement

Age and service Requirement:

Public Works: 30 years of credited service or age 62 with 10 years of credited service.

Management &
Supervisors: 30 years of credited service or age 62 with 10 years of credited service.

Electric Division &
Water Division: 29 years of credited service or age 60 with 10 years of credited service.

Benefit:

Public Works: 2.15% of final average salary multiplied by years of credited service, subject to a maximum of 75% final average salary, including Social Security if applicable.

Management &
Supervisors: 2.25% of final average salary multiplied by years of credited service, subject to a maximum of 75% final average salary, including Social Security if applicable.

Electric Division &
Water Division: 2.35% of final average salary multiplied by years of credited service, subject to a maximum of 75% final average salary, including Social Security if applicable.

Early Retirement

Age requirement: 55
Service requirement: 15 years
Amount: Normal pension accrued reduced by 0.25% for each month that the participant's retirement date precedes normal retirement.

Vesting

100% vested with 5 years of credited service

Employee Contributions

5% of weekly salary for Public Works
7% of weekly salary for Management and Supervisors
7.5% of weekly salary for Water or Electric Divisions
Interest is credited at 3% per year

Hazard Employees

Normal Pension

Police, Firemen and Linemen

Age requirement: None

Service requirement:

Police: 23 years of service

Fire: 23 years of service

Lineman: 25 years of service

Benefit:

Police: 2.35% of final average salary per year of credited service, subject to a maximum of 70%.

Fire: 2.35% of final average salary per year of credited service, subject to a maximum of 75% final average salary. Minimum of \$1,200 per year.

Lineman: 2.35% of final average salary per year of credited service, subject to a maximum of 70% final average salary. Minimum of \$1,200 per year.

Vesting

100 % vesting after 5 years of credited service

Employee Contributions

8.5% of weekly salary for Linemen

7.75% of weekly salary for Policemen

7.5% of weekly salary for Firefighters

Interest is credited at 3% per year

Cost-of-Living Adjustment

Police: 2% per year after age 60. Normal retirements only.

Fire: 2% per year after age 60, normal and disability retirements. Terminated vested benefits, after age 62.

Lineman: 2% per year after age 60, if hired on or before January 1, 2001. All normal retirement benefits on or after July 1, 1992, with at least 25 years of service.

B. Summary of Significant Accounting Policies and System Assets

Basis of Accounting

The Plan uses the accrual method of accounting where revenues are recognized when earned and expenditures when the related liability is incurred. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

Method Used to Value Investments

The Plan reports its securities at fair value. Investment income is recognized as earned.

Concentration of Investments

There were no investments in any one organization that represented 5% or more of net assets available for benefits, except for investments in United States backed bonds.

Plan Expenses

Expenses of administering the Plan are paid for from contributions to the Plan.

Plan Changes

With the July 1, 2009 the following changes were made:

- There was an ad hoc cost of living adjustment for select Non-Hazardous retiree groups.
- The upper limit on the Actuarial Value of assets was increased from 115% to 120% of the Market Value.
- The amortization period increased from 20 to 25 years effective July 1, 2009.

C. Funding Policy

Employees contribute between 5% and 8.5% of their weekly salary to the Plan. Contributions earn 3% interest returnable upon termination before retirement. The Town is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined by its actuaries; the current rate is 9.5% of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended subject to union negotiations.

D. Annual Pension Cost and Net Pension (Asset) Obligations

The Town's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 3,654
Interest on net pension asset	(2)
Adjustment to annual required contribution	<u>2</u>
Annual pension cost	3,654
Contributions made	<u>3,654</u>
Increase in net pension asset	-
Net pension asset, beginning of year	<u>(22)</u>
Net Pension Asset, End of Year	\$ <u><u>(22)</u></u>

The employer contribution was determined using the entry age normal cost method and is a part of an actuarial valuation dated July 1, 2008. This method produces an employer contribution rate consisting of an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year) and an amount for amortization of the unfunded actuarial accrued liability for Town employees.

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2009
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percent
Remaining amortization period	25 years-open
Asset valuation method	5-year Smoothed Asset Value
Actuarial Assumptions:	
Investment rate of return	8.0%
Projected salary increases*	9% in first 3 years of employment, 4% Thereafter
*inflation rate included	4%

E. Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset) Obligation
6/30/08	\$ 3,097	100 %	\$ (22)
6/30/09	3,317	100	(22)
6/30/10	3,654	100	(22)

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/05	\$ 701	102 %
6/30/06	1,686	100
6/30/07	2,300	100
6/30/08	3,097	100
6/30/09	3,317	100
6/30/10	3,654	100

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	(UAAL) as a % of Covered Payroll ((b-a)/c)
7-1-04	\$ 132,286	\$ 133,326	\$ 1,040	\$ 99.2 %	\$ 29,910	3.5 %
7-1-05	134,810	142,169	7,359	94.8	30,825	23.9
7-1-06	138,007	150,212	12,205	91.9	32,410	37.7
7-1-07	143,755	161,535	17,780	89.0	33,811	52.6
7-1-08	146,523	168,851	22,328	86.8	35,044	63.7
7-1-09	122,655	179,807	57,152	68.2	36,217	157.8

Wallingford Volunteer Firefighters Length of Service Award Plan

A. Plan Description

The Town of Wallingford is the administrator of the Town's Volunteer Firefighters Length of Service Award Plan, a single-employer defined benefit public employee retirement system (PERS) established and administered by the Town to provide pension benefits to qualified volunteer firefighters. The Plan is considered to be part of the Town of Wallingford's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The Plan does not issue a stand-alone report.

Membership as of July 1, 2009 of the PERS consisted of the following:

	<u>Number of Employees</u>
Volunteers currently receiving benefits	9
Inactive vested volunteers	42
Current active members	<u>93</u>
Total	<u><u>144</u></u>

Benefits are established by the Town and may be amended only by the Town Charter.

The following is a brief summary of the plan provisions:

Normal Pension

Age requirement: 65
Service requirement: 5 years (1 year after program's initiation)
Amount: \$10 (not rounded) per month for the first 10 years of service plus \$15 (not rounded) per month for the second 10 years of service; plus \$20 per month for the next 10 years of service (30 year maximum). The monthly pension amount is subject to a \$450 maximum.

Disability

Age requirement: None
Service requirement: None
Amount: Regular pension accrued deferred to age 65 or lump-sum cash benefit equal to the accrued benefit multiplied by 120.

Vesting

Age requirement:	None
Service requirement:	5 years
Amount:	Regular pension accrued deferred to age 65

Service

One year of service will be credited for each year the activity requirement is met. Currently, this requirement is 100 points.

B. Summary of Significant Accounting Policies and System Assets

Basis of Accounting

The Plan uses the accrual method of accounting where revenues are recognized when earned and expenditures when the related liability is incurred. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

Method Used to Value Investments

The Plan reports its securities at fair value. Investment income is recognized as earned.

Concentration of Investments

There were no investments in any one organization that represented 5% or more of net assets available for benefits, except for investments in United States backed bonds.

Plan Expenses

Expenses of administering the Plan are paid for from contributions to the Plan.

Plan Changes

With the July 1, 2009 the following changes were made:

- The upper limit on the Actuarial Value of assets was increased from 115% to 120% of the Market Value.
- The amortization period increased from 20 to 25 years effective July 1, 2009.

C. Funding Policy

The Town funding policy is to contribute the amount equal to the normal cost plus a past service payment representing amortization of the unfunded accrued liability.

D. Annual Pension Cost and Net Pension (Asset) Obligations

The Town's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 31
Interest on net pension asset	(2)
Adjustment to annual required contribution	<u>2</u>
Annual pension cost	31
Contributions made	<u>31</u>
Increase in net pension asset	-
Net pension asset, beginning of year	<u>(20)</u>
Net Pension Asset, End of Year	\$ <u>(20)</u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2009
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Dollar
Remaining amortization period	25 years, open
Asset valuation method	5-year Smoothed Asset Value
Actuarial Assumptions:	
Investment rate of return	8.0%

E. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset) Obligation</u>
6/30/08	\$ 19	96.9%	\$ (20)
6/30/09	31	99.1	(20)
6/30/10	31	99.1	(20)

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year		Annual Required Contribution	Percentage Contributed
6/30/05	\$	12	99%
6/30/06		12	99
6/30/07		19	100
6/30/08		19	100
6/30/09		31	100
6/30/10		31	100

Schedule of Funding Progress

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability(AAL) (b)		Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)
7-1-05	\$	867	\$	805	\$	(62)	107.7%
7-1-07		928		936		8	99.2
7-1-09		868		1,022		154	85.0

Teacher Retirement

Certified teachers employed by the Wallingford Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System. This system is a cost sharing multi-employer defined benefit PERS with the State acting as a non-employer contributor, which is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). The State of Connecticut Teachers' 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.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$45,362 or 74% of the total Board of Education payroll of \$61,028. The teachers' contributions totaled \$3,289 for the year ended June 30, 2010.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. For the year ended June 30, 2010, the Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,017 as payments made by the State of Connecticut on behalf of the Town.

Pension Trust Funds

The Town maintains two pension trust funds (Consolidated Pension Fund and Volunteer Firefighters Pension Fund) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2010 and the changes in net assets for the year then ended.

	Pension Trust Funds			
	Consolidated Pension Plan	Volunteer Firefighter's Pension Plan	Interfund Eliminations	Totals
Assets:				
Cash and cash equivalents	\$ 4,277	\$ (20)	\$	\$ 4,257
Investments:				
Common stock equities	62,853			62,853
Corporate bonds	13,160			13,160
U.S. government agencies obligations	32,846			32,846
Other	376			376
Accrued interest receivable	560			560
Due from other funds		815	(815)	-
Total assets	<u>114,072</u>	<u>795</u>	<u>(815)</u>	<u>114,052</u>
Liabilities:				
Accounts and other payables	396			396
Due to other funds	1,731		(815)	916
Total liabilities	<u>2,127</u>	<u>-</u>	<u>(815)</u>	<u>1,312</u>
Net Assets:				
Held in trust for pension benefits	<u>\$ 111,945</u>	<u>\$ 795</u>	<u>\$ -</u>	<u>\$ 112,740</u>

Combining Statement of Changes in Plan Net Assets			
	Consolidated Pension Plan	Volunteer Firefighter's Pension Plan	Totals
Additions:			
Contributions:			
Employer	\$ 3,654	\$ 31	\$ 3,685
Plan members	2,391		2,391
Total contributions	<u>6,045</u>	<u>31</u>	<u>6,076</u>
Investment income (loss):			
Net appreciation in fair value of investments	11,444	69	11,513
Interest and dividends	3,091	17	3,108
Other income	178		178
Investment fee expense	(560)		(560)
Total investment income	<u>14,153</u>	<u>86</u>	<u>14,239</u>
Total additions	<u>20,198</u>	<u>117</u>	<u>20,315</u>
Deductions			
Benefits	9,930	42	9,972
Refunds of contributions	377		377
Administration	100	4	104
Total deductions	<u>10,407</u>	<u>46</u>	<u>10,453</u>
Net increase	9,791	71	9,862
Net assets held in trust for pension benefits, beginning of year	<u>102,154</u>	<u>724</u>	<u>102,878</u>
Net Assets Held in Trust for Pension Benefits, End of Year	\$ <u>111,945</u>	\$ <u>795</u>	\$ <u>112,740</u>

14. CONTINGENT LIABILITIES

The Town is contingently liable in connection with litigation involving personal injury claims, zoning matters, property tax appeals, other miscellaneous suits and unasserted claims. The Town intends to vigorously defend these actions; however, there can be no assurance that the Town will prevail.

The Town Attorney estimates that the potential claims against the Town not covered by insurance resulting from such litigation would not materially affect the financial position of the Town. When it has been determined that the Town faces an exposure in matters of litigation, the Town's policy is to establish an appropriate reserve.

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General property taxes:				
Current tax levy	\$ 97,517	\$ 97,517	\$ 98,344	\$ 827
Prior year's levy	1,320	1,320	1,954	634
Interest and liens	670	670	984	314
Total	<u>99,507</u>	<u>99,507</u>	<u>101,282</u>	<u>1,775</u>
Licenses and permits:				
Building	500	500	431	(69)
Public safety	9	9	19	10
Public works	8	8	7	(1)
Health	12	12	12	-
Total	<u>529</u>	<u>529</u>	<u>469</u>	<u>(60)</u>
Intergovernmental revenues:				
Education Cost Sharing	21,440	18,381	18,210	(171)
PILOT Housing/State	2,099	2,099	2,332	233
Manufacturers machinery and equipment	1,100	1,100	1,671	571
Boat registration	10	10	5	(5)
Elderly taxes	293	293	299	6
Disability and Veterans exemptions	40	40	52	12
Tribal gaming funds	241	241	166	(75)
Services for the Blind	26	26	8	(18)
Transportation	629	629	399	(230)
School building construction grant	841	841	841	-
Vocational agriculture	310	310	292	(18)
Miscellaneous grants	129	235	199	(36)
Total	<u>27,158</u>	<u>24,205</u>	<u>24,474</u>	<u>269</u>
Charges for services:				
Rent	152	152	152	-
Town Clerk	250	250	330	80
Conveyance tax	250	250	374	124
Public safety	1,054	1,169	1,287	118
Public works	64	64	57	(7)
Recreation - swimming	30	30	34	4
Veterans	13	13	13	-
Tuition	1,000	1,000	1,434	434
Total	<u>2,813</u>	<u>2,928</u>	<u>3,681</u>	<u>753</u>
Use of money:				
Investment income	<u>470</u>	<u>470</u>	<u>268</u>	<u>(202)</u>

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS) (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Other revenue:				
Sewer assessment	\$ 20	\$ 20	\$ 3	\$ (17)
In lieu of taxes/telephone	700	700	793	93
Compensation and insurance recovery	63	63	110	47
Proportionate charges	1,046	1,046	1,046	-
Encumbrance cancellations	200	200	196	(4)
Miscellaneous	34	68	201	133
Total	<u>2,063</u>	<u>2,097</u>	<u>2,349</u>	<u>252</u>
Total revenues	<u>132,540</u>	<u>129,736</u>	<u>132,523</u>	<u>2,787</u>
Other financing sources:				
Transfers in:				
Electric Division	1,965	1,965	1,965	-
Other funds	75	75	516	441
Total	<u>2,040</u>	<u>2,040</u>	<u>2,481</u>	<u>441</u>
Total	<u>\$ 134,580</u>	<u>\$ 131,776</u>	135,004	<u>\$ 3,228</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted. 7,017

Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes. (196)

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV. \$ 141,825

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government:				
Town Council:				
Salaries and wages	\$ 89	\$ 89	\$ 89	\$ -
Operating and maintenance	19	19	15	4
Total	<u>108</u>	<u>108</u>	<u>104</u>	<u>4</u>
Board of Selectmen:				
Salaries and wages	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Mayor:				
Salaries and wages	195	195	193	2
Operating and maintenance	30	30	26	4
Total	<u>225</u>	<u>225</u>	<u>219</u>	<u>6</u>
Program Planning:				
Salaries and wages	152	152	146	6
Operating and maintenance	9	12	8	4
Total	<u>161</u>	<u>164</u>	<u>154</u>	<u>10</u>
Government Access TV:				
Salaries and wages	117	117	117	-
Operating and maintenance	13	13	11	2
Capital	-	21	21	-
Total	<u>130</u>	<u>151</u>	<u>149</u>	<u>2</u>
Department of Law:				
Salaries and wages	381	381	381	-
Operating and maintenance	179	196	187	9
Capital	4	4	3	1
Total	<u>564</u>	<u>581</u>	<u>571</u>	<u>10</u>
Board of Assessment Appeals:				
Salaries and wages	6	6	6	-
Operating and maintenance	2	2	1	1
Total	<u>8</u>	<u>8</u>	<u>7</u>	<u>1</u>
Finance:				
Salaries and wages	1,761	1,761	1,679	82
Operating and maintenance	487	487	438	49
Capital	237	237	16	221
Total	<u>2,485</u>	<u>2,485</u>	<u>2,133</u>	<u>352</u>
Library:				
Operating and maintenance	<u>2,624</u>	<u>2,624</u>	<u>2,624</u>	<u>-</u>
Personal Pension and Risk Management:				
Salaries and wages	457	457	449	8
Operating and maintenance	268	268	242	26
Total	<u>725</u>	<u>725</u>	<u>691</u>	<u>34</u>

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government (continued)				
Pension Fund:				
Operating and maintenance	\$ 3,441	\$ 3,441	\$ 3,202	\$ 239
Employee Insurance and Other Benefits:				
Salaries and wages	278	266	165	101
Operating and maintenance	6,730	6,815	6,435	380
Total	7,008	7,081	6,600	481
Property and Casualty Insurance:				
Operating and maintenance	989	916	865	51
Building Department:				
Salaries and wages	359	359	357	2
Operating and maintenance	32	32	6	26
Total	391	391	363	28
Register of Voters:				
Salaries and wages	116	116	93	23
Operating and maintenance	22	22	9	13
Total	138	138	102	36
Town Clerk:				
Salaries and wages	231	234	233	1
Operating and maintenance	79	82	77	5
Capital Equipment	5	5	5	-
Total	315	321	315	6
Planning and Zoning:				
Salaries and wages	234	234	233	1
Operating and maintenance	34	34	28	6
Total	268	268	261	7
Inland/Wetlands Commission:				
Salaries and wages	79	79	79	-
Operating and maintenance	11	11	9	2
Total	90	90	88	2
Zoning Board of Appeals:				
Salaries and wages	2	2	1	1
Operating and maintenance	10	10	6	4
Total	12	12	7	5
Economic Development Commission				
Salaries and wages	41	41	41	-
Operating and maintenance	21	21	18	3
Total	62	62	59	3

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government (continued)				
Conservation Commission:				
Salaries and wages	\$ 1	\$ 1	\$ 1	\$ -
Operating and maintenance	8	8	7	1
Total	<u>9</u>	<u>9</u>	<u>8</u>	<u>1</u>
Public Utilities Commission:				
Salaries and wages	231	231	228	3
Operating and maintenance	7	7	6	1
Total	<u>238</u>	<u>238</u>	<u>234</u>	<u>4</u>
Probate Court:				
Operating and maintenance	12	12	7	5
Total	<u>12</u>	<u>12</u>	<u>7</u>	<u>5</u>
Civil Preparedness:				
Salaries and wages	4	4	4	-
Operating and maintenance	8	8	4	4
Total	<u>12</u>	<u>12</u>	<u>8</u>	<u>4</u>
Contingency Accounts:				
General and accrued expenses	<u>678</u>	<u>463</u>	<u>-</u>	<u>463</u>
Total general government	<u>20,694</u>	<u>20,526</u>	<u>18,772</u>	<u>1,754</u>
Public Safety:				
Police Department:				
Salaries and wages	7,086	7,209	6,716	493
Operating and maintenance	1,114	1,114	1,022	92
Capital	161	232	218	14
Total	<u>8,361</u>	<u>8,555</u>	<u>7,956</u>	<u>599</u>
Dog Pound:				
Salaries and wages	125	125	116	9
Operating and maintenance	34	34	21	13
Total	<u>159</u>	<u>159</u>	<u>137</u>	<u>22</u>
Fire Department:				
Salaries and wages	5,199	5,193	5,138	55
Operating and maintenance	837	874	849	25
Capital	328	332	211	121
Total	<u>6,364</u>	<u>6,399</u>	<u>6,198</u>	<u>201</u>

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public Safety (continued):				
Fire Marshal:				
Salaries and wages	\$ 302	\$ 302	\$ 283	\$ 19
Operating and maintenance	27	27	20	7
Capital	32	32	23	9
Total	<u>361</u>	<u>361</u>	<u>326</u>	<u>35</u>
Total public safety	<u>15,245</u>	<u>15,474</u>	<u>14,617</u>	<u>857</u>
Public Works:				
Engineering Department:				
Salaries and wages	472	472	467	5
Operating and maintenance	77	77	51	26
Capital	247	287	237	50
Total	<u>796</u>	<u>836</u>	<u>755</u>	<u>81</u>
Department of Public Works:				
Salaries and wages	2,902	2,902	2,763	139
Operating and maintenance	2,918	3,067	2,551	516
Capital	425	396	395	1
Total	<u>6,245</u>	<u>6,365</u>	<u>5,709</u>	<u>656</u>
Total public works	<u>7,041</u>	<u>7,201</u>	<u>6,464</u>	<u>737</u>
Health and Social Services:				
Health Department:				
Salaries and wages	327	327	320	7
Operating and maintenance	22	52	31	21
Total	<u>349</u>	<u>379</u>	<u>351</u>	<u>28</u>
Social Services:				
Salaries and wages	270	269	256	13
Operating and maintenance	55	55	49	6
Pass-through agency contributions	1,514	1,516	1,514	2
Total	<u>1,839</u>	<u>1,840</u>	<u>1,819</u>	<u>21</u>
Veteran's Service Center:				
Salaries and wages	24	24	23	1
Operating and maintenance	3	3	1	2
Total	<u>27</u>	<u>27</u>	<u>24</u>	<u>3</u>
Total health and social services	<u>2,215</u>	<u>2,246</u>	<u>2,194</u>	<u>52</u>
Parks and Recreation:				
Department of Parks and Recreation:				
Salaries and wages	919	919	854	65
Operating and maintenance	192	195	172	23
Capital	24	24	22	2
Total parks and recreation	<u>1,135</u>	<u>1,138</u>	<u>1,048</u>	<u>90</u>

(Continued on next page)

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Education	\$ 85,057	\$ 81,998	\$ 81,942	\$ 56
Debt Service:				
Principal	5,050	5,061	5,061	-
Interest	1,956	1,945	1,924	21
Administration, registration and other	10	10	1	9
Total debt service	7,016	7,016	6,986	30
Appropriations in Force Carryforward:				
Capital and nonrecurring items	-	412	249	163
Total expenditures	138,403	136,011	132,272	3,739
Other financing uses:				
Transfers out	1,977	1,977	1,977	-
Total	\$ 140,380	\$ 137,988	134,249	\$ 3,739

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.	7,017
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.	(1,130)
Encumbrances for purchases and commitments ordered in the previous year, that were received and liquidated in the current year are reported for financial statement reporting purposes.	2,535
The Town and Board of Education do not budget for accrued payroll services earned at year end. The accrued wages are charged to the subsequent years budget. The change in the accrual is recorded as an adjustment to the current year expenditure for GAAP financial statement purposes.	(440)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 142,231

Appendix B

Form of Opinion of Bond Counsel and Tax Exemption

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JOSEPH FASI LLC

1010 WETHERSFIELD AVENUE
HARTFORD, CONNECTICUT 06114

A T T O R N E Y S A T L A W

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL

Town of Wallingford
Wallingford, Connecticut

Ladies and Gentlemen:

We have represented the Town of Wallingford, Connecticut as bond counsel with respect to the issuance and sale of \$4,880,000 Town of Wallingford General Obligation Bonds, Issue of 2011, bearing a Dated Date of May 15, 2011 and an Original Issue Date of May 19, 2011 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated May 19, 2011 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

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 (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

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 statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Wallingford payable both principal and interest 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 land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. 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 subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. 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 not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing 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 other State income tax consequences caused by ownership or disposition of the bonds.

Respectfully yours,

JOSEPH FASI LLC

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer 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 Issuer 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 not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on 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 and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds.

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

ORIGINAL ISSUE DISCOUNT

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

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

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

ORIGINAL ISSUE PREMIUM

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Appendix C

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF WALLINGFORD, CONNECTICUT

Dated As Of May 19, 2011

In Connection With The Issuance And Sale Of

\$4,880,000 Town Of Wallingford, Connecticut

General Obligation Bonds, Dated May 15, 2011

WHEREAS, the Town of Wallingford, Connecticut (the "Issuer") has heretofore authorized the issuance of \$4,880,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated May 15, 2011 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

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

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

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 Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) 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 1) 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 or 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 direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer 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 Issuer shall provide the information and 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 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 Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;

e) substitution of credit or liquidity providers, or their failure to perform;

f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

g) modifications to rights of security holders, if material;

h) bond calls, if material, and tender offers;

i) defeasances;

j) release, substitution or sale of property securing repayment of the securities, if material;

k) rating changes;

l) bankruptcy, insolvency, receivership or similar event of the Issuer;

m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure 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 Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information 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 operating or financial information provided.

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

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer 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 enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

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CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF WALLINGFORD, CONNECTICUT

Dated As Of May 19, 2011

In Connection With The Issuance And Sale Of

\$4,880,000 Town Of Wallingford, Connecticut

General Obligation Bonds, Dated May 15, 2011

IN WITNESS WHEREOF, the Issuer 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 WALLINGFORD, CONNECTICUT

By _____
William W. Dickinson, Jr.
Mayor

By _____
James M. Bowes
Comptroller

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Appendix D

Notice of Sale and Bid Form

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NOTICE OF SALE

\$4,880,000

TOWN OF WALLINGFORD, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2011

BANK QUALIFIED

ELECTRONIC BIDS via **PARITY**® only will be received by the Town of Wallingford, Connecticut (the "Issuer"), at Phoenix Advisors, LLC, 53 River Street, Suite 3, Milford, Connecticut 06460, until:

**11:30 A.M. (E.D.T.)
Thursday, May 5, 2011**

for the purchase of \$4,880,000 Town of Wallingford General Obligation Bonds, Issue of 2011, maturing May 15 in each of the years as follows: \$260,000 in the year 2012; \$385,000 in each of the years 2013 through 2016, both inclusive; \$305,000 in each of the years 2017 through 2020, both inclusive; \$300,000 in the year 2021; \$155,000 in each of the years 2022 through 2029, both inclusive; and \$160,000 in the years 2030 and 2031, bearing interest payable semi-annually on May 15 and November 15 in each year until maturity, commencing November 15, 2011 (the "Bonds").

The Bonds maturing on or before May 15, 2019 are not subject to redemption prior to maturity. The Bonds maturing on May 15, 2020 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after May 15, 2019, 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 Issuer may determine, at the redemption price or 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:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	May 15, 2019 and thereafter	100%

The Bonds will be dated May 15, 2011 and will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence 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, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer 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 Issuer 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.

Proposals for the purchase of said Bonds must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$4,880,000 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 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to May 15, 2011, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to May 19, 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 four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**[®] until 11:30 A.M. (E.D.T.) on Thursday, May 5, 2011. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**[®], including any fee charged, may be obtained from **PARITY**[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**[®] is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY**[®], the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the**

facilities of **PARITY**[®], or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**[®], the use of **PARITY**[®] facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.

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

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

The Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The Bonds will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of 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 said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions interest on the Bonds (i) is not included in the gross income of the owners thereof for purposes of

Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations under the Code.

Under existing statutes, the 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 Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi LLC 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 Issuer for the benefit of the owners of the Bonds, and further, will assume continuing compliance by the Issuer 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.

The Bonds **shall** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND IN A MANNER SATISFACTORY TO BOND COUNSEL 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 delivered to DTC or its Agent via "Fast" on or about May 19, 2011. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer 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 the purchaser.

The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on May 5, 2011. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated April 28, 2011, may be obtained from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite 3, Milford, Connecticut 06460, (203) 878-4945. The Official Statement is in a form

"deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 100 copies of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

The Issuer 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.

William W. Dickinson, Jr.
Mayor

James M. Bowes
Comptroller

April 28, 2011

(See attached for form of Proposal for Bonds)

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PROPOSAL FOR BONDS

May 5, 2011

William W. Dickinson, Jr., Mayor
James M. Bowes, Comptroller
Town of Wallingford
c/o Phoenix Advisors, LLC
53 River Street, Suite 3
Milford, Connecticut 06460

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated April 28, 2011, which Notice is made a part of this proposal, we offer to purchase all \$4,880,000 bonds of the Town of Wallingford comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2012	\$260,000	_____ %	2022	\$155,000	_____ %
2013	\$385,000	_____ %	2023	\$155,000	_____ %
2014	\$385,000	_____ %	2024	\$155,000	_____ %
2015	\$385,000	_____ %	2025	\$155,000	_____ %
2016	\$385,000	_____ %	2026	\$155,000	_____ %
2017	\$305,000	_____ %	2027	\$155,000	_____ %
2018	\$305,000	_____ %	2028	\$155,000	_____ %
2019	\$305,000	_____ %	2029	\$155,000	_____ %
2020	\$305,000	_____ %	2030	\$160,000	_____ %
2021	\$300,000	_____ %	2031	\$160,000	_____ %

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$4,880,000 bonds under the foregoing proposal:

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

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