

Final Official Statement Dated February 22, 2017

New Money Issue: Book-Entry-Only

**Rating: S&P Global Ratings: "AAA"
Fitch Ratings: "AAA"**

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



Town of Cheshire, Connecticut

\$17,500,000

General Obligation Bonds, Issue of 2017

BOOK-ENTRY-ONLY

Dated: Date of Delivery

**Due: July 15, 2018-2036
as detailed below:**

The Bonds will bear interest payable on July 15, 2017 and semiannually thereafter on January 15 and July 15 in each year until maturity. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book Entry Only Transfer System" herein).

<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u>
2018	\$ 925,000	3.000%	0.900%	165375U79	2028*	\$ 920,000	2.750%	2.700%	165375V94
2019	925,000	3.000%	1.050%	165375U87	2029*	920,000	3.000%	2.900%	165375W28
2020	925,000	2.000%	1.210%	165375U95	2030	920,000	3.000%	3.000%	165375W36
2021	925,000	5.000%	1.400%	165375V29	2031	920,000	3.000%	3.100%	165375W44
2022	920,000	5.000%	1.580%	165375V37	2032	920,000	3.125%	3.200%	165375W51
2023	920,000	5.000%	1.800%	165375V45	2033	920,000	3.125%	3.250%	165375W69
2024	920,000	4.000%	1.980%	165375V52	2034	920,000	3.250%	3.300%	165375W77
2025*	920,000	4.000%	2.150%	165375V60	2035	920,000	3.250%	3.350%	165375W85
2026*	920,000	3.000%	2.360%	165375V78	2036	920,000	3.250%	3.400%	165375W93
2027	920,000	2.500%	2.500%	165375V86					

* Priced assuming redemption on July 15, 2024; however any such redemption is at the option of the Town.

BAIRD

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

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

The Registrar, Certifying, Transfer, Paying and Escrow Agent will be U.S. Bank National Association of Hartford, Connecticut.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and certain other conditions. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about March 6, 2017.

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

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

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

The Bonds have not been registered under the Securities Act of 1933, as amended, nor have the Bonds been registered under any state securities laws.

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

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide or cause to be provided (i) annual financial information and operating data, (ii) a notice of the occurrence of certain events within 10 business days of the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall be executed in substantially the form attached as Appendix C to 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:	Wednesday, February 22, 2017 at 11:30 A.M. (E.S.T.).
Location of Sale:	Cheshire Town Hall, 84 South Main Street, Cheshire, Connecticut 06410.
Issuer:	Town of Cheshire, Connecticut (the "Town").
Issue:	\$17,500,000 General Obligation Bonds, Issue of 2017 (the "Bonds").
Dated Date:	Date of Delivery.
Interest Due:	July 15, 2017 and semiannually thereafter on January 15 and July 15, in each year until maturity or earlier redemption.
Principal Due:	The Bonds are due serially, July 15, 2018 through July 15, 2036, as detailed in this Official Statement.
Purpose:	The proceeds of the Bonds will be used to fund various sewer, general purpose and school construction projects authorized by the Town.
Redemption:	The Bonds are subject to redemption prior to maturity, as described herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds have been rated "AAA" from S&P Global Ratings and "AAA" from Fitch Ratings.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	See "Tax Matters" herein.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided: (i) annual financial information and operating data, (ii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the continuing disclosure agreement, and (iii) notices of certain events with respect to the Bonds, within 10 business days of the occurrence of such event, pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Bank Qualification:	The Bonds <u>shall NOT be</u> designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Registrar, Transfer Agent, Certifying Agent, Paying and Escrow Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.
Legal Opinion:	Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel.
Municipal Advisor:	Phoenix Advisors, LLC, of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 878-4945.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made on or about March 6, 2017, against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to James J. Jaskot, Director of Finance & Treasurer, Town Hall, 84 South Main Street, Cheshire, Connecticut 06410. Telephone (203) 271-6610.

I. Bond Information

Introduction

This Official Statement, (the "Official Statement") including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Cheshire, Connecticut (the "Town"), in connection with the original issuance and sale of \$17,500,000 General Obligation Bonds, Issue of 2017 (the "Bonds") of the Town.

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

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

Bond Counsel are not passing upon and do not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion attached hereto as Appendix B) and they make no representation that they have independently verified the same.

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

Municipal Advisor

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

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

Description of the Bonds

The Bonds will be dated as of the date of delivery, March 6, 2017, and will mature in annual installments on July 15 in each of the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be payable on July 15, 2017 and semiannually thereafter on January 15 and July 15, in each year until maturity. Interest will be calculated on the basis of twelve 30-day months and a 360-day year and will be payable to the registered owners of the Bonds as of the close of business on the last business day of June and December 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. The Bonds are subject to redemption prior to maturity as more fully described herein. The Bonds shall NOT 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.

Optional Redemption

The Bonds maturing on or before July 15, 2024 are not subject to redemption prior to maturity. The Bonds maturing on July 15, 2025 and thereafter, are subject to redemption prior to maturity, at the election of the Town, on and after July 15, 2024 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective price (expressed as a percentage of the principal amount of Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<i>Period During Which Redeemed</i>	<i>Redemption Price</i>
July 15, 2024 and thereafter	100%

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the date fixed for redemption to the registered owner of the Bonds at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

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

Authorization and Purpose

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

The projects financed by the Bonds include:

Project Number	Project Name	Bond Authorization	Bonds This Issue
General Purpose			
01198	Municipal Telephone System.....	\$ 100,000	\$ 100,000
01157	Capital Planning	50,000	50,000
01158	Underground Storage Tank Removal	75,000	25,000
01244	Generator Replacement at Firehouse # 2 and Animal Control Facility	120,000	120,000
01245	Town Hall Window Replacement	75,000	75,000
00713	Land Acquisition	2,022,343	1,500,000
01264	Land Acquisition - Chapman Property	1,500,000	1,500,000
01107	Firefighting Equipment and Protective Clothing	45,000	45,000
01224	Firefighting Equipment and Protective Clothing.....	145,000	100,000
01260	Upgrade and Expansion of Public Safety Radio Communication System	3,163,000	2,139,305
01261	Replacement of 1990 Fire Truck Pumping Engine # 3	635,000	635,000
01088	Road Repavement Program	1,573,695	1,573,695
01228	Sidewalk Program	200,000	200,000
01229	Public Works Vehicles and Equipment	337,000	337,000
01230	Dump Trucks and Plows	347,513	322,000
01236	East Johnson Avenue Bridge Over Quinpiac River	2,909,285	600,000
01241	Dump Truck and Plow	153,000	153,000
01248	Sidewalks - Lanyon Drive / Westland Avenue	100,000	100,000
01255	Mt. Sanford Road Culvert and Road Realignment	75,000	75,000
01256	Sidewalk Program	200,000	125,000
01262	Road Repavement Program	1,650,000	1,650,000
01203	Mixville Dam and Spillway Improvements	100,000	75,000
01231	Tennis Court Renovations at Youth Center	260,000	260,000
01249	Renovations at Various Outdoor Basketball Courts	135,000	135,000
01250	Restroom Upgrades for Cheshire Park, Mixville Park and McNamara Legion Field	120,000	120,000
Subtotal General Purpose.....		16,090,836	12,015,000
School			
01025	Cheshire High School Infrastructure Improvements	150,000	50,000
01144	Emergency Shelter Generators	125,000	125,000
01167	Upgrade Public Bathrooms and Concession Stand at Cheshire High School Athletic Complex	350,000	280,000
01193	District Wide Roof Repairs and Replacements	221,250	81,500
01195	District Wide Sidewalk and Masonry Repairs	250,000	25,000
01196	District Wide Lavatory Improvements	525,000	525,000
01204	Window Replacements and Energy Improvements	562,500	562,500
01232	Remedy Exterior Area Deficiencies - Cheshire High School	251,000	251,000
01233	District Wide Paving	250,000	250,000
01234	Cheshire High School Storage	260,000	260,000
01251	Sidewalk and Masonry Repairs - Chapman, Darcey and Cheshire High	125,000	125,000
01253	Emergency Generator Connections - 5 Elementary Schools and Dodd Middle School	175,000	175,000
01259	Cafeteria Renovations - Doolittle	275,000	275,000
Subtotal Schools.....		3,519,750	2,985,000
Sewer			
01150	Wastewater Treatment Plant Upgrade	752,633	300,000
01263	West Johnson Avenue Pump Station Rehabilitation	3,500,000	2,200,000
Subtotal Sewers.....		4,252,633	2,500,000
Grand Totals.....		\$ 23,863,219	\$ 17,500,000

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities 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 Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to

Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, 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 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 Securities at any time by giving reasonable notice to the Town or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds 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 and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

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

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

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

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

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and to the exercise of judicial discretion. Under the Federal Bankruptcy Code, the Town may seek relief only, among other requirements, if it is

specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Qualification for Financial Institutions

The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.

Availability of Continuing Information

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided; (i) annual financial information and operating data, (ii) notice of the occurrence of certain events within 10 business days of the occurrence of such events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form contained in Appendix C to this Official Statement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and notices of events pursuant to Rule 15c2-12(b)(5). In the last five years, the Town has not failed to comply, in all material respects, with its previous undertakings in such agreements.

Bond Rating

The Town has received a "AAA" rating from S&P Global Ratings and a "AAA" from Fitch Ratings (the "Rating Agencies") on the Bonds. The Town furnished to the Rating Agencies certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the views of the Rating Agencies. No application was made to any other rating agencies for the purpose of obtaining ratings on outstanding securities of the Town.

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

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

Tax Matters

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

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

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

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

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

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

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds.

Original Issue Discount

The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds are sold over the principal amount payable at maturity or on earlier call date constitutes original issue

premium. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Amortized original issue premium on the Bonds is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds.

Bond Insurance

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

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II. The Issuer



Description of the Municipality

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

Until about 1950, Cheshire was predominantly a rural farming community. Since then, the Town has evolved into a residential suburban community. Despite significant industrial/commercial growth, Cheshire retains its rural characteristics with thousands of acres of open space and an active agricultural industry. The Town is designated as the Bedding Plant Capital of Connecticut by the General Assembly.

From its predominantly agricultural base, the economy of Cheshire has diversified and grown steadily. The Economic Development Coordinator and Town personnel work to attract new business development and retain companies. The Town has zoned 2,500 acres for industrial use in the north central section of Town. The Town continues to use a policy, started in 1993, for the possible granting of tax and infrastructure incentives to businesses that are compatible with Cheshire.

The Town's industrial zone is bounded on the west by Interstate 84, a major highway between Boston and New York. Interstate 691 traverses the industrial zone and links Interstate 84 to Interstate 91, 8 miles to the east. In addition, State Highway Routes 10 and 68/70, which run north south and east west respectively, intersect in the center of Cheshire. Intra and interstate area trucking companies are available to service Cheshire business and industry. International air service is 35 miles away at Bradley International Airport and 15 miles to the south is Tweed New Haven Airport, available for commuter and general aircraft use. The port of New Haven, the third largest in New England, handles all types of cargo and is less than one half hour away.

The Town is served by four daily newspapers and one local weekly newspaper. Major cable companies provide service to Cheshire residents and businesses.

The Town provides excellent quality of life opportunities for its residents. In addition to a variety of year-round recreational and cultural activities available in Cheshire, residents have easy access to activities in both the greater New Haven and greater Hartford areas.

The Town has been noted by a number of publications as a desirable community in which to live. In recent years, The Town has been recognized by Money and Connecticut magazines as one of the best small towns in the State and country.

Government Organization

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

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

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

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

Principal Municipal Officials

Office	Name	Manner of Selection/Term	Years of Service As of December 2016
Town Manager	Michael A. Milone ¹	Appointed	27 years
Director of Finance/Treasurer	James J. Jaskot ²	Appointed	18 years
Deputy Director of Finance	Gina DeFilio	Appointed	5 years
Personnel Director/Asst. Town Manager for Human Resources ..	Louis A. Zullo	Appointed	22 years ⁵
Asst. Town Manager for Admin./ Public Information Officer	Arnett T. Talbot ³	Appointed	24 years
Director of Public Works/Engineering.....	George Noewatne ⁴	Appointed	12 years
Chief of Police	Neil Dryfe	Appointed	6 years
Fire Chief	Jack Casner	Appointed	20 years ⁶
Town Planner	William Voelker	Appointed	11 years
Economic Development Coordinator	Gerald L. Sitko	Appointed	25 years
Superintendent of Schools.....	Jeffrey F. Solan	Appointed	1 year ⁷

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

² Mr. Jaskot spent thirteen years with the Town as Deputy Finance Director before becoming the Director of Finance/Treasurer in 2011.

³ Arnett Talbot was appointed Assistant Town Manager for Administration in January 2017, and has served as Public Information Officer since 2000. Ms. Talbot also served as the Executive Assistant to the Town Manager since 2000 and other various positions within the Town.

⁴ Mr. Noewatne served as Deputy Director of Public Works from April 2004 until his appointment as Director of Public Works/Engineering in January 2013.

⁵ Non-consecutive. Louis A. Zullo has been in his position since January 2017, Personnel Director since August 2000 and the Assistant Town Manager since April 2006.

⁶ Fire Chief became a full time position in 2004. Mr. Casner served as Fire Chief in a volunteer capacity for seven years.

⁷ Mr. Solan was the Assistant Principal at Dodd Middle School for three years, Principal at Dodd Middle School for four years, and Principal at Cheshire High School for four years before becoming Superintendent of Schools.

Resumes of Key Municipal Officials

Michael A. Milone, Town Manager: Michael A. Milone has been with the Town since January 1990. Mr. Milone served as Finance Director/Treasurer for the Town for 10½ years, and was appointed Town Manager in May 2000. He has been in municipal government for 40 years, having worked for the City of New Haven for 13 years prior to coming to Cheshire. While with the City of New Haven, Mr. Milone worked as a Management Analyst, Executive Assistant to the Controller, Deputy Controller, and he spent his final six years with the City of New Haven as Controller (Chief Financial Officer).

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

Mr. Milone was an adjunct professor at the University of New Haven for fourteen years from 1986 through 2000, where he taught a graduate course in Local Government Finance. Currently, he still continues as a guest lecturer. Mr. Milone has been a Credentialed Manager with International City/County Manager's Association (ICMA) since 2005, and Chairman of the Committee on Taxes and Finance for the Connecticut Conference of Municipalities (CCM). Mr. Milone is a past member of the Government Finance Officers Association of the United States and Canada (GFOA), former Board member of the Connecticut GFOA (GFOA CT), and former member of the State of Connecticut Municipal Finance Advisory Commission. In addition, Mr. Milone is a former chairman of the City of New Haven's Financial Review and Audit Commission of which he had been a member from April 1994 through 2000.

James J. Jaskot, Director of Finance / Treasurer: James J. Jaskot has been with the Town since July 1998. Mr. Jaskot served as Deputy Director of Finance for the Town for 13 years and was appointed Director of Finance / Treasurer in July 2011. Prior to coming to Cheshire, Mr. Jaskot worked for over fourteen years in public accounting with emphasis on municipal accounting, auditing and financial reporting.

Mr. Jaskot graduated from the University of Connecticut in 1983 with a Bachelor of Science Degree in Accounting. He is a Certified Public Accountant and member of the American Institute of Certified Public Accountants, Connecticut Society of Certified Public Accountants (CSCPA), and the GFOA CT. He is a past chair of the CSCPA Governmental Accounting and Auditing Committee and served as President of the GFOA CT Board. He has also participated on several task forces for the Governmental Accounting Standards Board (GASB) to deliberate proposed accounting standards.

Gina M. DeFilio, Deputy Director of Finance: Gina M. DeFilio became the Deputy Director of Finance in September 2011. Prior to coming to Cheshire, Ms. DeFilio worked in public accounting at RSM US LLP for over 10 years, with an emphasis on municipal accounting, auditing and financial reporting. She has managed the financial statement and grant audits of a number of Connecticut municipalities.

Ms. DeFilio graduated from the University of Connecticut in 1995 with a Bachelor of Science Degree in Accounting. She is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants, Connecticut Society of Certified Public Accountants (CSCPA), and the GFOA CT.

Louis A. Zullo, Human Resources Director / Assistant Town Manager for Human Resources: Louis A. Zullo has been in his position since January 2017, Personnel Director since August 2000 and the Assistant Town Manager since April 2006. He has also served as Cheshire's Assistant to the Town Manager from 1986 to 1992. He had spent fourteen years with the Town of East Haven as Community Development Coordinator and then Director of Administration and Management. Prior to his return to Cheshire, Mr. Zullo served as Administrative Officer of the Town of Woodbridge for two years.

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

Arnett T. Talbot, Assistant Town Manager for Administration / Public Information Officer: Arnett Talbot was appointed Assistant Town Manager for Administration in January 2017, and has served as Public Information Officer since 2000. Ms. Talbot also served as the Executive Assistant to the Town Manager since 2000. Prior to Ms. Talbot's 24 year tenure with the Town of Cheshire, including three years as a certified Assistant Town Clerk, she worked as the Director of Marketing for the United Way of Greater New Haven and as an Account Supervisor in the advertising and public relations industry.

Ms. Talbot earned a Bachelor of Arts degree in Communication Science from the University of Connecticut in 1980, and is currently a candidate for a Master of Public Administration degree from Post University.

George D. Noewatne, Jr., Director of Public Works / Engineering: George Noewatne was appointed to his current position in January 2013. He had previously served as the Town's Operations Manager/Deputy Director of Public Works since April 2004. Prior to his employment with the Town, Mr. Noewatne served for eight years as a project manager and/or owner's representative for numerous construction projects. In that capacity he worked for firms including: The Whiting-Turner Contracting Company, O&G Industries, and Strategic Building Solutions. Mr. Noewatne also served as an officer in the US Army Corps of Engineers for five years.

Mr. Noewatne graduated from the Virginia Military Institute with a Bachelor of Science Degree in Civil Engineering. Mr. Noewatne also holds a Master of Science Degree in Civil Engineering from the Virginia Polytechnic Institute and State University, as well as a Master of Business Administration Degree from the University of Connecticut. He is a member of the American Public Works Association, and is a certified Connecticut tree warden.

Neil Dryfe, Chief of Police: Neil Dryfe was appointed Chief of the Cheshire Police Department in January of 2011. Prior to coming to Cheshire, he served twenty-one years with the Hartford Police Department, rising through the ranks from police officer to assistant chief.

Chief Dryfe holds a Bachelors Degree from the University of Connecticut and a Masters Degree in Criminal Justice Administration from Western New England College. He is a member of the Connecticut Police Chiefs Association, the International Association of Chiefs of Police and the Police Executive Research Forum.

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

A twenty-five year veteran of the fire service, Chief Casner has gained his education through Connecticut colleges and fire service education through the State of Connecticut Fire Academy. Chief Casner is a member of the International Association of Fire Chiefs, member and past president of the Waterbury Area Fire Chiefs Association, Connecticut Career Fire Chiefs Association, New England Fire Chiefs Association, New York State Fire Chiefs Association and several other related associations. Chief Casner is a member of the National Fire Protection Association and has served on several committees and boards within all of these associations and organizations. Currently Chief Casner is on the Board of Directors and is the immediate Past President of the New England Association of Fire Chiefs. Chief Casner is recently accredited as a Fire Officer by the Commission on Public Safety Excellence, the third accredited in the State of Connecticut.

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

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

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

Jeffrey F. Solan, Superintendent of Schools: Jeffrey F. Solan has been with the Cheshire Public Schools since July, 2005. Mr. Solan served as the Assistant Principal and Principal of Dodd Middle School before spending the past four years as Principal of Cheshire High School. He was appointed Superintendent of Schools in July, 2016. He has over 12 years of experience in public school administration, including 1 year with the Ansonia Public School system.

Mr. Solan graduated from the State University of New York, Oswego with a Bachelor's Degree in Psychology and earned a Master's Degree in Counseling and Psychology Services also from the State University of New York, Oswego. He has a Sixth Year Certificate from Southern Connecticut State University, an Executive Leadership

Certificate from University of Connecticut, and he is currently working on an Educational Doctorate at Southern Connecticut State University.

Mr. Solan has served as the Chair of the Ulbrich Boys and Girls Club in Wallingford, Connecticut, volunteered with the Wallingford Youth Soccer and New Haven Warriors Hockey associations, and with Connecticut Food Bank. He is currently a member of the Connecticut Association of Public School Administrators and the American Association of School Administrators.

Municipal Services

Police

The Cheshire Police Department is staffed with fifty-eight full-time employees, forty eight of whom are sworn police officers. The Department is organized into three divisions; Patrol, Support Services, and Administration. The Police Department also manages the municipal animal control function consisting of two full-time employees, and employs seven part-time school crossing guards. The Cheshire Police Department is a full service agency providing a full range of police services on a twenty-four hour a day basis.

The headquarters building is a 20,000+ square foot facility, hosting all police department functions including a records division and dispatch facility. The Department is equipped with all appropriate telephone, radio and computer systems common to modern police agencies. The Department operates a fleet of twenty-five marked and unmarked vehicles equipped with two-way radios, computers, video cameras, less-lethal munitions, first aid supplies, Automatic External Defibrillators, GPS and traffic safety equipment. The Department also operates a motorcycle and an all-terrain vehicle.

Fire

Fire suppression and rescue services are provided by the Cheshire Fire Department. The Department is comprised of approximately 100 volunteer members, including 60 active firefighters. A career Fire Chief, appointed by the Town Manager, is responsible for administrative activities and personnel matters in addition to all of the services provided by the Department. The Town appropriates funds annually for the operation of the Department that are used for typical operating expenses such as training, insurance, and fleet maintenance. Apparatus and equipment are funded through the Town's Five-Year Capital Plan.

The Department equipment includes seven fire engines, two heavy-duty rescue units, two aerial ladders and several vehicles. The Department maintains three fire stations including an 18,000+ square foot headquarter facility and two substations.

Under the direction of the Fire Chief, the Fire Marshall's Office provides an aggressive prevention/public education/inspection program through its three full time and two part-time staff, who also serve as firefighters and respond with apparatus while on duty.

Parks and Recreation

The Parks and Recreation Department, located at the Harmon Leonard, Jr. Youth Center, offers a wide range of year-round recreational activities for all age groups—preschool, teens, adults and senior citizens. Over 330 acres are devoted to parks and active recreation and over 1,500 acres for open space and passive recreation. Parks include Roaring Brook, a natural area with a water course that falls eighty feet; Lock 12 Historical Park, a restored 150 year old canal lock and gatekeeper's home on the Farmington Canal; Cheshire Park, 75 acres, 25% set aside for active recreation with the balance undeveloped; Mixville Recreation Area which offers swimming, sledding and picnicking; other areas set aside for baseball, softball, soccer, tennis, basketball and summer concerts; a 6.9 mile paved hiking and biking trail along the Farmington Canal; Bartlem Park which features eight ball-fields, a 50 meter year-round community pool, "boundless" playground apparatus, a skateboard facility, a community garden; and an 80 by 180 foot rollerblading rink at Quinnipiac Park.

Public Works

The Public Works Department is made up of 38 administrative, technical, clerical, and labor personnel. The Department is responsible for the maintenance and repair of 152 miles of roads, winter snow and ice operations, sewer system and a wastewater treatment plant, public buildings and properties, residential curbside garbage and recycling collection, Town tree program, and engineering services. Town roads are replaced on an approximate 20 year cycle,

thus in any given year, the Department is improving 7.5 miles of roadway. The Town performs pavement preservation measures such as crack seal, chip seal and micro seal on a number of roads each year to extend the usefulness of the road network.

The Town recently completed a \$32.15 million upgrade at its wastewater treatment plant which will serve the needs of the community for the next 20 years.

The Town has a Municipal Solid Waste Disposal contract with Covanta Projects of Wallingford, L.P., under which it participates with four other south central Connecticut municipalities (Hamden, Meriden, North Haven, and Wallingford) in the Wallingford Regional Solid Waste Project. This regional solid waste facility use to consist of a mass-burn solid waste, resource recovery, steam and electric generation facility located in the Town of Wallingford. However, Covanta and the member towns agreed to convert the site to a transfer station, and this conversion was completed in 2015.

Library

The Cheshire Public Library houses the collection of over 135,000 items, including books, recordings, downloadable materials and periodicals. The Library provides a full range of information services and answers more than 35,000 reference questions a year, utilizing both print and digital resources. More than 19,000 books are borrowed through inter-library loan services using regional and national databases. In addition, the Library provides various cultural activities such as lectures, demonstrations, art exhibitions and youth programs. The Library also collaborates with the Cheshire Performing and Fine Arts Committee, which provides art and theatre programs, to expand cultural offerings to residents.

Human Services Department

The Human Services Department provides programs serving Cheshire youth, senior citizens and the handicapped. Counseling is available for teenagers and their families, as well as positive youth development programs for high school-aged adolescents. Bartlem Park features the “Yellow House” community youth center. The Town Senior Center serves as a gathering place for seniors and offers a variety of activities. A transportation system is provided for seniors and the handicapped.

Inspection

The Inspection Department issues all types of mechanical and building permits and is responsible for the inspection and approval of all the permitted construction in the Town in accordance with the Connecticut State Building Code. The Department is staffed by a Building Official, an Assistant Building Official, an Electrical Inspector and a Secretary.

Planning and Zoning

Cheshire is served by an elected, nine-member, Planning and Zoning Commission (the “Commission”) whose responsibilities include the adoption of the Cheshire Plan of Conservation and Development (“POCD”) as well as the Zoning Regulations and Subdivision Regulations. Additional duties include the review of proposed development projects throughout Cheshire which are governed by these regulations. An update of the POCD was approved on June 27, 2016, with an effective date of July 1, 2016. The Commission also performs an annual review of the Capital Budget in accordance with Section 8-24 of the Connecticut General Statutes. The Planning Department is staffed by a Town Planner/Development Coordinator, an Environmental Planner and a part time Zoning Enforcement Officer.

Economic Development

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

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

The Economic Development Coordinator and EDC maintain contact with Cheshire companies as part of the EDC's retention activities. The coordinator visits companies and the EDC holds monthly meetings with local companies to learn about and discuss possible ways the Town could be of service to Cheshire businesses. Information and services are provided regularly by the Coordinator to prospective businesses as well as existing companies. Also, the Economic Development Coordinator maintains a working relationship with State agencies, utilities, the Connecticut Economic Resource Center ("CERC"), real estate professionals, the Cheshire Chamber of Commerce and other organizations in order to assist existing businesses or prospects interested in expanding or relocating their facilities in the Town.

Development in the Cheshire real estate market continues to be diversified and significant. Nosal Builders began construction of a 25,000 square foot office/warehouse building off Fieldstone Court which will be occupied by Nosal & Shred-it. RALO Properties commenced construction of a 20,800 square foot warehouse addition to its 6,000 square foot building at 15 Burton Drive. The addition will be occupied by Tropicana. WANHO Manufacturing leased 80,000 square feet at 156 Knotter Drive and Fosdick Fulfillment leased 130,000 square feet at 181 West Johnson Avenue. Gaylord Physical Therapy and St. Mary's Hospital each leased 7,000 square feet at 1154 Highland Avenue. In addition, Maker Carpentry and Construction leased 13,468 square feet at 248 Sandbank Road and Park Assist leased 5,000 square feet at 125 Commerce Court. Hylie Products Inc., a manufacturer of precision small parts, purchased 30 Grandview Court, and UTC Aerospace Systems signed a 5-year lease extension for its 158,000 square feet facility on Knotter Drive.

In addition, Town officials continue to support the effort of Ball & Socket Arts, Inc. to remediate and redevelop the property of the former Ball & Socket Manufacturing Company on West Main Street. Plans for this project include multi-use space for the arts to include studio and retail space and a theatre.

The Town's economic prospects and indicators remain positive. Socioeconomic indicators such as per capita and median family income and educational attainment continue to exceed the norms in Connecticut. Further, Cheshire's unemployment rates continue to be below the State of Connecticut norm.

Health

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

Sewer System

The Water Pollution Control Authority oversees management of a sewer system of approximately 4,500 properties and 400 businesses, or 60% of the Town's population including the central business district and Cheshire Industrial Park. The municipal sanitary sewer system extends into the western, southern, southeastern and northern sections of town. Sewage is treated at the wastewater treatment plant and the design capacity is 4,000,000 gallons per day. The current average daily flow is approximately 2,660,000 gallons per day. The Town recovers a portion of the construction costs for lateral sewers through the collection of sewer assessments remitted over a period not to exceed ten years. Users of the system pay an initial connection charge and an annual sewer use charge that covers 100% of the annual operating and maintenance expenses and a substantial portion of capital improvements and debt service.

Water

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

Natural Gas

Natural gas distribution is provided by Eversource Energy, which currently serves approximately 1,250 customers in Cheshire.

Electricity

Electricity is furnished to approximately 9,900 customers in Cheshire by Eversource Energy.

Employee Relations and Collective Bargaining

Municipal Employees ¹

	2016-17	2015-16	2014-15	2013-14	2012-13
General Government	209	211	211	210	210
Board of Education	630	631	633	615	613
Total	839	842	844	825	823

¹ Full-time equivalent

Source: 2017 Adopted Budget.

Employees Bargaining Organizations

<u>Employee Group</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u> ¹	<u>Contract Expiration Date</u>
<u>General Government</u>			
Police	Local 1720 of American Federation of State, County and Municipal Employees, Connecticut Council 15, AFL-CIO	44	6/30/2016 ²
Public Works	Local 1303 of American Federation of State, County and Municipal Employees, Connecticut Council 4, AFL-CIO	30	6/30/2020
Dispatchers	Local 40 Connecticut Independent Labor Union	6	6/30/2020
Town Hall Employees	Local 1303-374 of American Federation of State, County and Municipal Employees, Connecticut Council 4, AFL-CIO	44	6/30/2016 ²
Library	Local 1303-431 of AFSCME	18	6/30/2020
Total		<u>142</u>	
<u>Board of Education</u>			
Administrators	Cheshire Administrative Personnel	18	6/30/2018
Teachers	Educational Association of Cheshire	388	6/30/2017 ³
Clerical	Cheshire Educational Secretaries and Technicians United	50	6/30/2015 ³
Custodial	Cheshire Custodians Local 424-Unit 19 of United Public Service Employees Union	24	6/30/2019
Instructional Teacher Assistants and Teacher Assistants (Lunch Room and Playground Aides)	Cheshire Instructional Assistants Association, CSEA Inc., SEIU, AFL-CIO, Local 2001 CTW	191	6/30/2019
Total		<u>671</u>	

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

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

² In negotiations.

³ In arbitration.

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

Education System

The Town's school system services grades pre-kindergarten through grade 12 and is governed by the local Board of Education. Cheshire has a seven-member Board of Education elected to 4-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation. The Town has 8 schools for grades pre-kindergarten through 12. Enrollment in grades pre-kindergarten through 12 as of October 1, 2016 was 4,341. The rated capacity of the system facilities is 5,168.

School Facilities

Facility	Grades	Date of Construction	Most Recent	Number of Classrooms	Enrollment 10/1/2016	Rated Capacity ²
			Additions & Renovations ¹			
Chapman School.....	K-6	1949	1981	19	323	380
Doolittle School.....	1-6	1962	1996	30	464	600
Highland School.....	K-6	1971	1979	43	722	860
Norton School.....	K-6	1955	1996	24	418	480
Dodd Middle.....	7-8	1958	2004	32	783	820
Cheshire High.....	9-12	1952	2000	71	1,460	1,575
Humiston School ³	Sp.Ed.	1912	1971	6	14	29
Darcey School ⁴	Pre-School	1947	1985	4	65	100
Darcey Kindergarten ⁴	K	1990	1990	9	92	324
Total				238	4,341	5,168

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

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

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

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

Source: Superintendent of Schools, Town of Cheshire.

School Enrollment and Projections

As of October 1	Special Education				
	Pre-K	Grades K-6	Grades 7-8	Grades 9-12	Total
Actual ¹					
2007	119	2,565	824	1,611	5,119
2008	109	2,500	818	1,579	5,006
2009	99	2,486	815	1,545	4,945
2010	85	2,390	786	1,538	4,799
2011	73	2,369	774	1,572	4,788
2012	70	2,289	757	1,536	4,652
2013	76	2,213	747	1,558	4,594
2014	74	2,164	755	1,531	4,524
2015	52	2,115	719	1,497	4,383
2016	65	2,028	783	1,465	4,341
Projected ²					
2017	65	1,950	785	1,432	4,232
2018	66	1,959	688	1,487	4,200
2019	67	1,972	639	1,467	4,145

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

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

Source: Superintendent of Schools, Town of Cheshire.

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III. Economic and Demographic Information

Population and Density

Year	Town of Cheshire		
	Population	% Change	Density ¹
2015 ²	29,254	(0.02%)	886.5
2010	29,261	2.52%	886.7
2000	28,543	11.13%	864.9
1990	25,684	17.88%	778.3
1980	21,788	14.37%	660.2
1970	19,051	--	577.3

¹ Density based on 33 square miles.

² American Community Survey, 2011-2015.

Source: U.S. Department of Commerce, Bureau of the Census, 1970–2010.

Age Distribution of the Population

Age	Town of Cheshire		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years.....	1,132	3.9%	191,445	5.3%
5 to 9 years.....	1,654	5.7	214,983	6.0
10 to 14 years.....	2,262	7.7	231,075	6.4
15 to 19 years.....	2,153	7.4	255,286	7.1
20 to 24 years.....	1,533	5.2	237,578	6.6
25 to 34 years.....	2,869	9.8	436,678	12.2
35 to 44 years.....	3,627	12.4	448,840	12.5
45 to 54 years.....	5,367	18.3	556,454	15.5
55 to 59 years.....	2,135	7.3	259,565	7.2
60 to 64 years.....	2,028	6.9	219,040	6.1
65 to 74 years.....	2,490	8.5	291,955	8.1
75 to 84 years.....	1,256	4.3	162,332	4.5
85 years and over.....	748	2.6	87,991	2.4
Total	29,254	100.0%	3,593,222	100.0%

Source: American Community Survey, 2011-2015.

Income Distribution

	Town of Cheshire		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	74	1.0%	30,926	3.5%
\$10,000 to \$14,999.....	32	0.4	18,063	2.0
\$15,000 to \$24,999.....	96	1.3	46,085	5.1
\$25,000 to \$34,999.....	190	2.6	55,715	6.2
\$35,000 to \$49,999.....	224	3.0	83,173	9.3
\$50,000 to \$74,999.....	930	12.5	139,724	15.6
\$75,000 to \$99,999.....	1,045	14.1	126,557	14.1
\$100,000 to \$149,999.....	2,011	27.0	183,030	20.4
\$150,000 to \$199,999.....	1,509	20.3	94,575	10.6
\$200,000 or more.....	1,324	17.8	117,791	13.2
Total	7,435	100.0%	895,639	100.0%

Source: American Community Survey, 2011-2015.

Income Levels

	<u>Town of Cheshire</u>	<u>State of Connecticut</u>
Per Capita Income, 2014.....	\$ 44,280	\$ 38,803
Per Capita Income, 2010.....	\$ 40,498	\$ 35,078
Median Family Income, 2014.....	\$ 125,362	\$ 89,031
Percent Below Poverty (Families), 2014.....	1.4%	7.6%

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

Source: American Community Survey, 2011-2015.

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

	<u>Town of Cheshire</u>		<u>State of Connecticut</u>	
	Number	Percentage	Number	Percentage
Less than 9th grade.....	451	2.2%	105,725	4.3%
Grades 9-12 – no diploma.....	666	3.2	144,132	5.9
High School graduate.....	4,315	21.0	673,973	27.4
Some College - no degree.....	2,982	14.5	430,129	17.5
Associate Degree.....	1,272	6.2	183,289	7.4
Bachelors Degree.....	5,545	27.0	516,001	21.0
Graduate or Professional Degree.....	5,289	25.8	409,606	16.6
Totals.....	20,520	100.0%	2,462,855	100.0%
Percent High School Graduate or Higher		94.6%		89.9%
Percent Bachelor Degree or Higher		52.8%		37.6%

Source: American Community Survey, 2011-2015.

Employment Data

<u>Period</u>	<u>Town of Cheshire</u>		<u>Percentage Unemployed</u>		
	Employed	Unemployed	Town of Cheshire	New Haven Labor Market	State of Connecticut
November 2016.....	15,098	368	2.4%	3.7%	3.7%
Annual Average					
2015.....	14,878	583	3.8	5.7	5.6
2014.....	13,937	784	5.3	6.9	6.7
2013.....	13,455	903	6.3	8.1	7.9
2012.....	13,631	942	6.5	8.7	8.3
2011.....	13,802	1,060	7.1	9.2	8.8
2010.....	13,695	1,062	7.2	9.3	9.0
2009.....	13,842	942	6.4	8.2	8.2
2008.....	14,096	651	4.4	5.9	5.7
2007.....	13,980	537	3.7	4.8	4.6
2006.....	13,861	497	3.5	4.0	4.4

Source: State of Connecticut, Department of Labor.

Employment by Industry

Industry	Town of Cheshire		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	163	1.1%	7,214	0.4%
Construction	456	3.1	100,593	5.6
Manufacturing	1,428	9.8	191,286	10.7
Wholesale trade	895	6.1	44,581	2.5
Retail trade	1,370	9.4	193,799	10.9
Transportation and warehousing, and utilities	466	3.2	66,850	3.8
Information	414	2.8	41,486	2.3
Finance, insurance, real estate, rental & leasing	1,172	8.0	163,822	9.2
Professional, scientific, management, administrative, and waste mgmt services	1,402	9.6	199,942	11.2
Education, health and social services	5,037	34.5	471,587	26.5
Arts, entertainment, recreation, accommodation and food services	733	5.0	153,516	8.6
Other services (except public administration)	618	4.2	79,998	4.5
Public Administration	438	3.0	66,743	3.7
Total Labor Force, Employed	14,592	100.0%	1,781,417	100.0%

Source: American Community Survey, 2011-2015.

Major Employers As of March 2017

Employer	Nature of Business	Number of Full-Time Employees
Bozzuto's Inc.	Wholesale Food Distribution	1,266
Town of Cheshire.....	Municipality	841
State of Connecticut.....	Correctional Facilities	717
Macy's Logistics.....	Distribution	450
UTC Aerospace.....	Manufacturing	285
Webster Bank	Banking	260
Omnicare.....	Pharmaceutical Services	220
Whole Foods.....	Distribution	220
EDAC.....	Manufacturing	203
Elim Park.....	Retirement Community	190

Source: Economic Development Coordinator, Town of Cheshire.

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

Fiscal Year	Residential ¹		Industrial/Commercial		Other		Total	
	No.	Value	No.	Value	No.	Value	No.	Value
2016	38	\$10,926	2	\$ 715	1,978	\$ 27,481	2,018	\$ 39,122
2015	34	7,752	1	142	1,753	27,387	1,788	35,281
2014	36	7,442	-	-	1,907	41,061	1,943	48,503
2013	38	7,867	2	1,604	2,110	23,118	2,150	32,589
2012	20	8,740	4	2,720	2,008	22,754	2,032	34,214
2011	27	4,836	2	845	1,522	18,223	1,551	23,904
2010	40	7,104	3	1,835	1,524	12,611	1,567	21,550
2009	33	4,389	-	-	1,476	16,010	1,509	20,399
2008	47	8,653	8	9,748	1,660	21,868	1,715	40,269
2007	54	8,659	4	894	2,080	28,589	2,138	38,142

¹ Includes single, multi-family condominiums, apartments.

Source: Building Official, Town of Cheshire.

Housing Unit Inventory and Vacancy Rates

Type	Town of Cheshire		State of Connecticut	
	Number	Percent	Number	Percent
1-unit, detached.....	8,157	78.3%	882,941	59.2%
1-unit, attached.....	583	5.6	80,636	5.4
2 units.....	94	0.9	121,410	8.1
3 or 4 units.....	423	4.1	132,512	8.9
5 to 9 units.....	467	4.5	82,727	5.5
10 to 19 units.....	238	2.3	55,826	3.7
20 or more units.....	386	3.7	123,561	8.3
Mobile home.....	65	0.6	11,898	0.8
Boat, RV, van, etc.....	-	-	275	0.0
Total Inventory.....	10,413	100.0%	1,491,786	100.0%

Source: American Community Survey, 2011-2015.

Owner Occupied Housing Units

Specified Owner-Occupied Units	Town of Cheshire		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	162	1.9%	24,122	2.6%
\$50,000 to \$99,999.....	144	1.7	26,438	2.9
\$100,000 to \$149,999.....	318	3.7	72,756	8.0
\$150,000 to \$199,999.....	449	5.2	137,797	15.1
\$200,000 to \$299,999.....	2,252	26.1	257,364	28.2
\$300,000 to \$499,999.....	4,067	47.2	243,882	26.7
\$500,000 to \$999,999.....	1,141	13.2	109,918	12.0
\$1,000,000 or more.....	91	1.1	40,766	4.5
Total.....	8,624	100.0%	913,043	100.0%
Median Sales Price.....	\$ 340,000		\$ 274,500	

Source: American Community Survey, 2011-2015.

Age Distribution of Housing

Year Built	Town of Cheshire		State of Connecticut	
	Units	Percent	Units	Percent
2010 or Later	787	7.6%	331,829	22.2%
2000 to 2009	4,254	40.9	536,501	36.0
1990 to 1999	1,650	15.8	199,447	13.4
1980 to 1989	1,711	16.4	193,595	13.0
1970 to 1979	1,110	10.7	115,076	7.7
1940 to 1969	829	8.0	103,911	7.0
1939 or earlier	72	0.7	11,427	0.8
Total Housing Units	10,413	100.0%	1,491,786	100.0%
Percent Owner Occupied.....	87.9%		67.0%	

Source: American Community Survey, 2011-2015.

Breakdown of Land Use

Land Use Category	Total Area		Residential		Commercial		Industrial	
	Acres	Percent	Acres	Percent	Acres	Percent	Acres	Percent
Developed	9,428.43	44.6%	7,659.80	41.9%	174.50	88.7%	1,862.47	70.0%
Undeveloped	11,699.57	55.4	10,611.50	58.1	22.20	11.3	797.52	30.0
Total	21,128.00	100.0%	18,271.30	100.0%	196.70	100.0%	2,659.99	100.0%

Source: Town Planner and Tax Assessor, Town of Cheshire, 2016.

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IV. Tax Base Data

Property Tax Assessment

The Assessor's Office is responsible for general revaluation of real property. A physical revaluation is required every 10 years with 5-year revaluation updates in between the physical revaluations. The Town had a general property revaluation effective October 1, 2013. Under Connecticut General Statutes Section 12-62, the Town must next update all real estate values in the year 2018, and every fifth year thereafter, by physical inspection. Public Act 06-148 permits the phase in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total assessed values for all taxable real and personal property located within the Town on October 1, of each year. Each year a Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles are computed at 70% of the annual appraisal of motor vehicles. All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

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

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

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last general revaluation. New construction completed after the October 1 assessment is prorated onto the grand list from the date the Building Official issues the Certificate of Occupancy or when the structure is occupied.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the Office of Policy and Management. For the October 1, 2014 grand list, OPM recommended using average retail values from the October 2014 issue of the National Automobile Dealers Association (NADA) guide. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a supplemental property tax as if the motor vehicle had been included on the October Grand List. The assessment is prorated, and the proration is based on the number of months of ownership between October 1 and the following September 30. Motor vehicles purchased in August and September are not assessed until the next October 1 Grand List. The supplemental motor vehicle tax is not due until January 1, a year and three months after the Grand List date. If the motor vehicle replaces a motor vehicle that was assessed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70% of the annual appraisal.

Effective October 1, 2015, Public Act No. 15-244, as amended (the "Act"), allows municipalities to tax motor vehicles at a different rate than other taxable property but caps the motor vehicle tax rate at (i) 32.00 mills for the 2015 assessment year and (ii) 29.36 mills for the 2016 assessment year and thereafter. The Act also diverts a portion of state collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The Town's motor vehicle tax rates for the current 2015 assessment year is 31.19 mills.

Property Tax Levy and Collection

Property taxes are levied on all taxable assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real property taxes are payable in two installments on July 1 and January 1. Motor vehicle supplemental bills are payable on January 1. An estimate for interest and lien fees outstanding anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year following legal demands and these liens are then assigned to a third party for collection prior to June 30. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after a varying number of years, at which time they cease to be carried as receivables. The suspense accounts are placed with a private collection agency for further collection activity. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

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

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

Property Tax Collections

Grand List as of 10/1	Fiscal Year Ended 6/30	Net Taxable		Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Uncollected	
		Grand List (000's)	Mill Rate			Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/16
2015	2017 ²	\$ 2,750,532	31.19	\$ 86,120,878		IN COLLECTION	
2014	2016	2,726,750	30.69	83,710,090	99.78%	0.22%	0.22%
2013 ¹	2015	2,698,370	30.25	81,616,162	99.79	0.21	0.01
2012	2014	2,881,585	27.60	79,373,263	99.78	0.22	0.00
2011	2013	2,863,685	27.23	77,777,955	99.71	0.29	0.02
2010	2012	2,840,888	26.85	75,961,009	99.76	0.24	0.00
2009	2011	2,826,223	26.50	74,558,659	99.60	0.40	0.05
2008 ¹	2010	2,816,401	26.05	73,095,410	99.66	0.34	0.03
2007	2009	2,530,560	28.05	71,072,332	99.60	0.40	0.01
2006	2008	2,507,985	27.60	69,282,705	99.59	0.41	0.01

¹ Revaluation.

² Subject to Audit.

Source: Collector of Revenue, Town of Cheshire.

Property Taxes Receivable

	For the Fiscal Year Ending 6/30	Total Uncollected Taxes	Uncollected for Current Year of Levy
	2016	\$186,611	\$250,115
	2015	169,453	224,596
	2014	224,462	171,587
	2013	290,407	229,235
	2012	353,158	277,097
	2011	296,407	341,051
	2010	281,449	247,918
	2009	326,850	284,342
	2008	332,063	285,264
	2007	292,626	263,372

Source: Collector of Revenue, Town of Cheshire.

Principal Taxpayers

Taxpayer	Nature of Business	Assessment	Percent of Net Taxable Grand List ^{1,2}
Eversource (Formerly CL&P)	Utility	\$ 41,982,300	1.52%
Industrial Ave LLC	Wholesale Food Distribution	37,812,800	1.37
Bozzutos Inc.	Wholesale Food Distribution	32,993,065	1.19
WE 350 Knottter Cheshire LLC.....	Office/Research/Development	18,328,880	0.66
Macy's Corporate Services Inc.....	Warehouse/Distribution	17,361,680	0.63
CT Indy CH LLC.....	Office/Research/Development	15,981,780	0.58
Yankee Gas Service SVC.....	Utility	13,944,490	0.50
WFM Properties Cheshire LLC.....	Wholesale Food Distribution	7,972,910	0.29
Cheshire ILMR LLC	Real Estate	7,206,790	0.26
Montowese Industrial Park Inc	Real Estate	6,492,050	0.23
Total		\$ 200,076,745	7.24%

¹ Based on a Net Taxable Grand List for October 1, 2016 of \$2,763,741,000.

² Before Board of Assessment Appeals.

Source: Tax Assessor, Town of Cheshire.

Comparative Assessed Valuations of Taxable Property

Grand List as of 10/1	Comercial and					Gross Taxable	Less	Net Taxable	Percent Change
	Residential Real Property	Industrial Real Property	Other Real Property	Personal Property	Motor Vehicle	Grand List (000's)	Exemptions (000's)	Grand List (000's)	
2016 ¹	70.7	13.3	0.7	6.5	8.8	\$ 2,836,633	\$ 72,892	\$ 2,763,741	0.5%
2015	70.3	13.3	0.7	7.2	8.5	2,835,197	84,665	2,750,532	0.9
2014	70.5	13.4	0.7	6.9	8.5	2,806,804	80,054	2,726,750	1.1
2013 ²	71.1	13.4	0.7	6.5	8.3	2,770,330	71,960	2,698,370	-6.4
2012	72.6	13.9	0.7	5.2	7.6	2,936,016	54,431	2,881,585	0.6
2011	72.7	14.0	0.7	4.8	7.8	2,918,798	55,113	2,863,685	0.8
2010	72.9	14.2	0.8	4.6	7.5	2,899,654	58,766	2,840,888	0.5
2009	72.9	14.3	0.9	4.7	7.2	2,885,498	59,275	2,826,223	0.3
2008 ²	72.9	14.3	0.9	4.8	7.1	2,872,182	55,781	2,816,401	11.3
2007	74.1	12.2	0.6	4.9	8.2	2,574,872	44,312	2,530,560	0.9

¹ Before Board of Assessment Appeals.

² Revaluation.

Source: Tax Assessor, Town of Cheshire.

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Tax-Exempt Property

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

<i>Public</i>	<i>Assessed Value</i>
U.S. Government	\$ -
State of Connecticut ¹	160,924,900
Town of Cheshire	110,229,930
South Central Connecticut Regional Water Authority ¹	18,815,933
City of Meriden	1,264,500
Sub-Total Public	291,235,263
 Private	
Volunteer Fire	459,710
Scientific	4,968,750
Educational	18,975,050
Historical	242,180
Charitable	3,366,160
Cemeteries	1,127,100
Churches	26,058,180
Hospitals and Sanitariums	45,318,850
Private College.....	14,410,530
Sub-Total Private	114,926,510
Total Exempt	\$ 406,161,773
Percent Compared to Net Taxable Grand List ^{2,3}	14.70%

¹ The Town has received a pilot payment from the State of Connecticut (prorated due to legislation) of \$1,865,136.00 as well as \$583,445.84 from the South Central Connecticut Regional Water Authority and \$121,350.00 for Colleges & Hospitals for fiscal year 2016-17 for this tax exempt property.

² Based on a Net Taxable Grand List for October 1, 2016 of \$2,763,741,000.

³ Before Board of Assessment Appeals.

Source: Tax Assessor, Town of Cheshire.

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V. Debt Summary
Long-Term Bonded Debt
As of March 6, 2017
(Pro Forma)

Date of Issue	Date of Maturity	Rate	Purpose	Original Issue Amount	Balance Outstanding⁴
General Purpose					
06/15/10	08/01/22	3.00-5.00	Refunding Bonds - Series A	\$ 3,881,000	\$ 1,858,000
06/15/10	08/01/20	2.00-5.00	Refunding Bonds - Series B	1,560,000	687,000
02/15/11	07/15/30	2.75 - 4.25	General Purpose Bonds	4,716,800	500,000
07/16/12	08/01/26	0.20 - 4.00	General Purpose Refunding Bonds	3,676,000	2,727,000
02/28/13	07/15/32	3.00 - 4.00	General Purpose Bonds	6,688,197	5,628,000
05/07/14	08/01/21	2.00-5.00	General Purpose Refunding Bonds	6,252,000	3,251,000
02/26/15	07/15/34	2.00-5.00	General Purpose Bonds	12,044,268	11,409,000
03/13/15	01/15/29	2.00-5.00	General Purpose Refunding Bonds	2,977,000	2,849,000
03/31/16	07/15/30	2.00-4.00	General Purpose Refunding Bonds	3,226,000	3,101,000
Sub-total General Purpose				\$ 45,021,265	\$ 32,010,000
Schools¹					
06/15/10	08/01/22	3.00 - 5.00	Refunding Bonds – Series A	675,000	310,000
06/15/10	08/01/20	2.00 - 5.00	Refunding Bonds – Series B	1,085,000	478,000
02/15/11	07/15/30	2.75 - 4.25	School Bonds	2,149,000	225,000
07/16/12	08/01/26	0.20 - 4.00	School Refunding Bonds	1,411,000	1,116,000
02/28/13	07/15/32	3.00 - 4.00	School Bonds	3,546,803	2,983,000
05/07/14	08/01/21	2.00-5.00	School Refunding Bonds	2,880,000	1,704,000
02/26/15	07/15/34	2.00-5.00	School Bonds	2,909,732	2,758,000
03/13/15	01/15/29	2.00-5.00	School Refunding Bonds	980,000	938,000
03/31/16	07/15/30	2.00-4.00	School Refunding Bonds	1,476,000	1,418,000
Sub-total Schools				\$ 17,112,535	\$ 11,930,000
Sewers²					
09/30/07	03/31/27	2.00	CWF 481-C / WWT Plant ^{3,5}	5,226,439	2,868,147
09/30/07	03/31/27	2.00	CWF 112-CSL / WWT Plant ^{3,5}	1,497,614	821,855
06/15/10	08/01/22	3.00 - 5.00	Refunding Bonds – Series A	1,459,000	697,000
02/15/11	07/15/30	2.75 - 4.25	Sewer Bonds	1,809,200	190,000
07/16/12	08/01/26	0.20 - 4.00	Sewer Refunding Bonds	568,000	387,000
02/28/13	07/15/32	3.00 - 4.00	Sewer Bonds	265,000	224,000
05/07/14	08/01/21	2.00-5.00	Sewer Refunding Bonds	428,000	215,000
02/26/15	07/15/34	2.00-5.00	Sewer Bonds	46,000	43,000
03/13/15	01/15/29	2.00-5.00	Sewer Refunding Bonds	1,008,000	963,000
03/31/16	07/15/30	2.00-4.00	Sewer Refunding Bonds	1,238,000	1,191,000
Sub-total Sewers				\$ 13,545,253	\$ 7,600,002
Total Outstanding Long Term Debt				\$ 75,679,053	\$ 51,540,002
This Issue					
03/06/17	07/15/36	2.00-5.00	General Purpose Bonds	\$ 12,015,000	\$ 12,015,000
03/06/17	07/15/36	2.00-5.00	School Bonds	2,985,000	2,985,000
03/06/17	07/15/36	2.00-5.00	Sewer Bonds	2,500,000	2,500,000
Total This Issue				\$ 17,500,000	\$ 17,500,000
Grand-Total				\$ 93,179,053	\$ 69,040,002

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

² Does not include Cheshire's obligation to make annual payments to Waterbury to pay a portion of debt service for the Town's use of Waterbury's sewer treatment facilities by Cheshire. The remaining principal amount is \$16,166.

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

⁴ Excludes Refunded Bonds.

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

**Short Term Debt
As of March 6, 2017
(Pro-Forma)**

The Town has no short-term debt outstanding.

Other Commitments

The Town has entered into a put-or-pay contract with respect to solid waste. See “Public Works” under the “Municipal Services” section herein. The put-or-pay obligation will terminate if the mass-burn solid waste facility, located in the Town of Wallingford, becomes a transfer station. Currently the facility conversion is pending permit approval by the Connecticut Department of Energy and Environmental Protection.

The Town has an obligation to make annual payments to the City of Waterbury to pay a portion of debt service on Waterbury’s sewer treatment facilities, which is used by Cheshire. The remaining principal amount at June 30, 2016 is \$16,116 which will be paid off in fiscal year 2020.

On May 16, 2014, the Town entered into a \$9,765,000 capital lease for the purchase of energy conservation improvements in various Town and school buildings. The lease has a contract interest rate of 3.17% and an effective rate of 2.77% after an interest subsidy from Eversource Energy. The lease matures on March 15, 2031 and it is expected that the lease payments will be offset by the resulting energy cost savings. The improvements were substantially completed by the fall of 2015. The Town, as lessee, holds title to the equipment in which the lessor is granted a priority security interest or lien.

On December 18, 2015, the Town entered into a \$1,200,000 capital lease for the purchase of street lights and poles, and retrofitting the lights with LED energy efficient fixtures. The lease will be paid over ten years with an interest rate of 1.97%. Energy savings are expected to more than cover the cost of the lease payments.

**Annual Bonded Debt Maturity Schedule
As of March 6, 2017
(Pro Forma)**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	This Issue			Total This Issue	Cumulative Principal Retired (%)
				General Purpose	Schools	Sewer		
2017 ¹	\$ 110,474	\$ 24,855	\$ 135,328	\$ -	\$ -	\$ -	\$ -	0.16%
2018	5,315,871	1,621,748	6,937,619	-	-	-	-	7.86
2019	5,267,650	1,451,470	6,719,120	633,000	158,000	134,000	925,000	16.83
2020	4,719,567	1,266,825	5,986,392	633,000	158,000	134,000	925,000	25.01
2021	4,046,622	1,098,763	5,145,385	633,000	158,000	134,000	925,000	32.21
2022	4,053,821	941,078	4,994,898	633,000	158,000	134,000	925,000	39.42
2023	3,671,164	790,947	4,462,111	633,000	157,000	130,000	920,000	46.07
2024	3,208,656	654,970	3,863,626	633,000	157,000	130,000	920,000	52.05
2025	3,201,299	555,113	3,756,411	633,000	157,000	130,000	920,000	58.02
2026	2,899,096	475,878	3,374,974	632,000	157,000	131,000	920,000	63.55
2027	2,795,783	399,423	3,195,206	632,000	157,000	131,000	920,000	68.93
2028	2,205,000	331,350	2,536,350	632,000	157,000	131,000	920,000	73.46
2029	2,195,000	268,425	2,463,425	632,000	157,000	131,000	920,000	77.97
2030	1,805,000	204,988	2,009,988	632,000	157,000	131,000	920,000	81.92
2031	1,795,000	153,288	1,948,288	632,000	157,000	131,000	920,000	85.85
2032	1,340,000	107,400	1,447,400	632,000	157,000	131,000	920,000	89.12
2033	1,340,000	67,200	1,407,200	632,000	157,000	131,000	920,000	92.40
2034	785,000	35,325	820,325	632,000	157,000	131,000	920,000	94.87
2035	785,000	11,775	796,775	632,000	157,000	131,000	920,000	97.33
2036	-	-	-	632,000	156,000	132,000	920,000	98.67
2037	-	-	-	632,000	156,000	132,000	920,000	100.00
Total	\$ 51,540,002	\$10,460,820	\$ 62,000,821	\$12,015,000	\$2,985,000	\$ 2,500,000	\$ 17,500,000	

¹ Excludes \$5,468,752 in principal payments and \$1,708,429 in interest payments made or coming due between July 1, 2016 and March 6, 2017.

Overlapping/Underlying Debt

The Town has neither overlapping nor underlying debt.

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

Debt Statement As of March 6, 2017 (Pro Forma)

Long-Term Debt:	
General Purpose (Includes this issue)	\$ 44,025,000
Schools (Includes this issue)	14,915,000
Sewers ¹ (Includes this issue)	10,100,002
Total Long-Term Debt	69,040,002
Short-Term Debt (Clean Water Fund IFO)	22,590,551
TOTAL DIRECT DEBT	91,630,553
Less: State School Construction Building Grants Principal Receivable (As of 12/31/16) ²	(91,156)
Sewer and Water Assessments Receivable (As of 12/31/16)	(191,573)
TOTAL NET DIRECT DEBT	91,347,824
Plus: Overlapping/Underlying Debt	-
TOTAL OVERALL NET DEBT	\$ 91,347,824

¹ Partially supported by benefit assessments.

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

Current Debt Ratios As of March 6, 2017 (Pro Forma)

Population (2015) ²	29,254
Net Taxable Grand List (10/1/16) (70% of Estimated Full Value)	\$ 2,763,741,000
Estimated Full Value	\$ 3,948,201,429
Equalized Net Taxable Grand List (10/1/14) ¹	\$ 5,414,806,061
Income per Capita (2010) ³	\$ 40,498
Income per Capita (2015) ²	\$ 44,280

	Total Direct Debt	Total Net Direct Debt	Total Overall Net Debt
	\$91,630,553	\$91,347,824	\$91,347,824
Per Capita	\$3,132.24	\$3,122.58	\$3,122.58
Ratio to Net Taxable Grand List	3.32%	3.31%	3.31%
Ratio to Estimated Full Value	2.32%	2.31%	2.31%
Ratio to Equalized Net Taxable Grand List	1.69%	1.69%	1.69%
Debt per Capita to Income per Capita (2010)	7.73%	7.71%	7.71%
Debt per Capita to Income per Capita (2015)	7.07%	7.05%	7.05%

¹ Office of Policy and Management, State of Connecticut.

² American Community Survey, 2011-2015.

³ U.S. Bureau of Census.

Temporary Financing

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

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

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

Clean Water Fund Program

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

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

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

As of the date of this Official Statement, the Town has \$3,716,705 of Clean Water Fund permanent loan obligations outstanding reflected in the Town's "Debt Summary" herein. In addition, the Town has an outstanding Interim Funding Obligation in the amount of \$24,428,785 issued on January 10, 2014 per a Clean Water Fund Agreement dated November 19, 2013, and amended October 24, 2016. As of the date of this Official Statement, the Town has drawn down approximately \$24,190,552 under the Interim Funding Obligation. The Interim Funding Obligation matures on July 1, 2017 at which time the Town will be required to permanently finance the Interim Funding Obligation by the issuance of a Project Loan Obligation, which will mature on January 1, 2037.

Authority to Incur Debt

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

Authorization to incur indebtedness through the issuance of bonds and notes must be authorized by resolution of the Town Council subject to the following procedures.

1. Any appropriation and bond authorization not exceeding \$200,000 may be approved by the Town Council.
2. Any appropriation and bond authorization which exceeds \$200,000 but does not exceed \$400,000 may be approved by the Town Council following a public hearing called by the Council and noticed pursuant to the Town Charter. Such appropriation and bond authorization is subject to referendum if a petition requesting the same signed by at least 10% of the electors of the Town is submitted to the Town Clerk within 21 days following the publication of notice of the making of such appropriation and bond authorization.
3. Any appropriation and bond authorization which exceeds \$400,000 may be approved by the Town Council only following a public hearing called by the Council and noticed pursuant to the Town Charter. Such appropriation and bond authorization must be approved by the voters of the Town at a referendum held pursuant to the Charter.
4. To the extent any appropriation in excess of \$200,000 is to be funded from the proceeds of grants, insurance, gifts, or other off-setting reimbursements, the amount of the appropriation to be funded from such sources shall not be included in determining whether a referendum is required under the Charter.
5. The approval limits are cumulative during the fiscal year for the same capital project.
6. The Charter provides that the appropriation and bond authorization dollar limits set forth in therein shall be reviewed by the Council every five years, beginning January 1, 2001. The limits were revised in 2001, 2006, and 2015.

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**Statement of Statutory Debt Limitation
As of March 6, 2017
(Pro Forma)**

Total Tax Collections (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2016 \$ 83,832,396

Reimbursement For Revenue Loss:

Tax relief for elderly -

Base for Debt Limitation Computation..... \$ 83,832,396

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 188,622,891	-	-	-	-
4 1/2 times base.....	-	\$377,245,782	-	-	-
3 3/4 times base.....	-	-	\$314,371,485	-	-
3 1/4 times base.....	-	-	-	\$ 272,455,287	-
3 times base.....	-	-	-	-	\$ 251,497,188
Total Debt Limitation	\$ 188,622,891	\$ 377,245,782	\$ 314,371,485	\$ 272,455,287	\$ 251,497,188

Indebtedness:

Bonds & CWF PLO's Outstanding.....	32,010,000	11,930,000	7,600,002	-	-
Bonds – This Issue	12,015,000	2,985,000	2,500,000	-	-
CWF IFO Outstanding.....	-	-	22,590,551	-	-
Debt Authorized But Unissued.....	5,801,120	2,479,574	1,878,433	-	-
Total Indebtedness	49,826,120	17,394,574	34,568,986	-	-

Less:

State School Grants - Principal Receivable ¹	-	(91,156)	-	-	-
Estimated Grants Receivable	(7,458,558)	(484,000)	(99,701)	-	-
Sewer & Water Assessments Receivable	-	-	(191,573)	-	-
Total Net Indebtedness	42,367,562	16,819,418	34,277,712	-	-

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 146,255,329 \$ 360,426,364 \$ 280,093,773 \$ 272,455,287 \$ 251,497,188

¹ State School Construction Building Grants Receivable are estimated. The State of Connecticut Bureau of School Building Grants will reimburse the Town for the State's share of eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School 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 \$586,826,772.

**Authorized But Unissued Debt
As of March 6, 2017
(Pro Forma)**

Project	Amount Authorized	Amount Previously Financed ²	CWF IFO	This Issue	Authorized & Unissued	Estimated Grants Receivable ¹
General Purpose	\$ 56,293,739	\$ 38,477,619	\$ -	\$12,015,000	\$ 5,801,120	\$ 7,458,558
Schools	12,298,000	6,833,426	-	2,985,000	2,479,574	484,000
Sewers	37,700,000	10,731,016	22,590,551	2,500,000	1,878,433	99,701
Total	\$ 106,291,739	\$ 56,042,061	\$ 22,590,551	\$17,500,000	\$ 10,159,127	\$ 8,042,259

¹ Subject to audit.

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

**Principal Amount of Outstanding Debt
Last Five Fiscal Years**

Fiscal Year Ending 6/30	2016	2015	2014	2013	2012
Long-Term Debt	\$ 57,008,754	\$ 62,576,466	\$ 53,987,792	\$ 60,862,861	\$ 57,172,608
Short-Term Debt	-	-	-	-	-
Total	\$ 57,008,754	\$ 62,576,466	\$ 53,987,792	\$ 60,862,861	\$ 57,172,608

Source: Annual audited financial statements.

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

Fiscal Year Ended 6/30	Net Assessed Value	Net Estimated Full Value	Net Long-Term Debt ¹	Ratio of Net Long-Term Debt to Assessed Value	Ratio of Net Long-Term Debt to Estimated Full Value	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³
2016	\$ 2,750,532	\$ 3,929,331	\$ 57,009	2.07%	1.45%	29,254	\$ 1,948.75	4.40%
2015	2,726,750	3,895,357	62,576	2.29	1.61	29,254	2,139.07	4.83
2014	2,698,370	3,854,814	53,659	1.99	1.39	29,254	1,834.24	4.14
2013	2,881,585	4,116,550	60,863	2.11	1.48	29,254	2,080.50	4.70
2012	2,863,685	4,090,979	56,085	1.96	1.37	29,254	1,917.17	4.33

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

² State of Connecticut, Department of Public Health: 2009. American Community Survey (ACS), 2011-2015.

³ U.S. Department of Commerce, Bureau of Census, ACS 2015: Income Per Capita: \$44,280.

**Ratio of Annual Debt Service to
Total General Fund Expenditures**

Fiscal Year		Total	Ratio of Debt
Ended	Total Debt	General Fund	Service To
6/30	Service	Expenditures¹	General Fund
			Expenditures (%)
2016	\$ 6,945,314	\$113,718,678	6.11%
2015	7,587,271	111,653,307	6.80
2014	8,212,210	108,347,596	7.58
2013	8,209,112	105,445,838	7.79
2012	9,048,827	104,726,303	8.64

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

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VI. Financial Information

The General Fund Revenues, Expenditures and Changes in Fund Balance for the fiscal years ended June 30, 2012 through June 30, 2016 have been derived from audited financial statements on a GAAP basis. The Adopted Budget for fiscal year 2016-2017 is provided by the Town on a budgetary basis.

The financial information presented herein is the responsibility of the Town's management. (Appendix A -- "Financial Statements" was taken from the Comprehensive Annual Financial Report of the Town for the fiscal year ended June 30, 2016.)

General Fund Revenues, Expenditures and Changes in Fund Balance

Revenues:	Adopted Budget 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013	Actual 2012
Property Taxes	\$ 85,475,164	\$ 83,973,691	\$ 81,989,985	\$ 79,722,309	\$ 78,167,540	\$ 76,299,237
Intergovernmental ¹	17,837,015	25,313,541	25,852,837	24,543,872	23,677,909	23,993,678
Investment Income	170,000	145,901	130,521	109,980	111,783	122,467
Charges for services	2,184,457	2,561,691	2,326,024	2,514,759	2,709,802	2,456,148
Other ²	1,384,592	709,382	294,274	275,836	352,099	190,511
Total Revenues	107,051,228	112,704,206	110,593,641	107,166,756	105,019,133	103,062,041
Expenditures:						
Administration and Finance ⁴	12,597,182	11,828,942	11,255,168	10,786,244	10,334,731	10,448,396
Planning and Development	543,569	527,025	510,710	511,205	493,523	480,376
Public Safety	6,831,945	6,765,459	6,446,795	6,291,401	6,195,398	6,291,077
Public Works	5,593,700	5,310,222	5,329,060	5,419,667	5,507,157	5,278,416
Public Health	478,972	451,549	449,181	428,576	441,501	427,444
Social Services	874,626	819,370	797,586	774,440	756,699	707,756
Cultural services	1,955,288	1,901,710	1,845,471	1,747,966	1,697,293	1,640,804
Leisure services	1,601,693	2,088,041	1,756,907	1,855,955	1,994,834	2,249,693
Education ¹	69,395,510	75,896,046	74,575,158	71,369,932	68,815,590	67,408,514
Debt Service	6,828,743	6,945,314	7,587,271	8,212,210	8,209,112	9,048,827
Total Expenditures	106,701,228	112,533,678	110,553,307	107,397,596	104,445,838	103,981,303
Excess (deficiency) of revenues over expenditures	350,000	170,528	40,334	(230,840)	573,295	(919,262)
Other financing sources (uses):						
Refunding Bond Proceeds	-	5,940,000	4,965,000	9,560,000	-	5,655,000
Bond Premiums/Accrued Interest.....	-	495,080	393,600	662,990	-	320,264
Payment to Refunded Bond Escrow	-	(6,318,509)	(5,272,199)	(10,079,384)	-	(5,863,084)
Insurance Recovery	-	-	-	-	258,344	-
Transfer in	750,000	753,657	754,013	813,938	802,863	803,652
Transfer out ³	(1,100,000)	(1,185,000)	(1,100,000)	(950,000)	(1,000,000)	(745,000)
Net other financing sources (uses)	(350,000)	(314,772)	(259,586)	7,544	61,207	170,832
Extraordinary Item:						
State teachers' on-behalf payments	-	-	-	-	-	-
State teachers' on-behalf revenue	-	-	-	-	-	-
Total Extraordinary Item	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(144,244)	(219,252)	(223,296)	634,502	(748,430)
Fund Balance, July 1	11,805,369	11,949,613	12,168,865	12,392,161	11,757,659	12,506,089
Fund Balance, June 30	\$ 11,805,369	\$ 11,805,369	\$ 11,949,613	\$ 12,168,865	\$ 12,392,161	\$ 11,757,659
Operating Expenditures (including transfers out)	N/A	\$ 113,718,678	\$ 111,653,307	\$ 108,347,596	\$ 105,445,838	\$ 104,726,303
Fund Balance as Percent of General Fund Expenditures (including transfers out)	N/A	10.4%	10.7%	11.2%	11.8%	11.2%

¹ GAAP basis includes payments made by the State of Connecticut on behalf of Town of Cheshire for the State Teachers' Retirement System including: \$7,860,000 (6/30/16), \$8,105,000 (6/30/15), \$7,722,000 (6/30/14), \$6,452,000 (6/30/13), \$6,214,000 (6/30/12), and \$4,788,000 (6/30/11).

² Included in the "Other" revenue line item is application of \$700,000 of Fund Balance in the fiscal year 2016-17 adopted budget.

³ Includes transfers to the Capital and Non-Recurring Fund: \$835,000 (6/30/16), \$1,100,000 (6/30/15), \$950,000 (6/30/14), \$1,000,000 (6/30/13), and \$595,000 (6/30/12).

⁴ Fiscal Year 2017 Budget includes \$125,000 for contingency.

Analysis of General Fund Balance

	Budget 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013	Actual 2012
Nonspendable	N/A	\$ 76,554	\$ 82,760	\$ 81,848	\$ 97,636	\$ 83,655
Committed	N/A	100,000	250,000	500,000	500,000	600,000
Assigned	N/A	2,231,241	2,503,625	2,577,811	2,559,828	2,219,557
Unassigned	N/A	9,397,574	9,113,228	9,009,206	9,234,697	8,854,447
Total General Fund Balance	\$ -	\$ 11,805,369	\$ 11,949,613	\$ 12,168,865	\$ 12,392,161	\$ 11,757,659

Effective October 1, 2015, Public Act No. 15-244, as amended (the “Act”), creates certain disincentives on increasing general budget expenditures for municipalities in Connecticut. Beginning in fiscal year 2018, the Office of Policy and Management (“OPM”) must reduce the amount of the municipal revenue sharing grant (which is created by the Act) for those municipalities whose increases in general budget expenditures, with certain exceptions, exceed the spending limits specified in the Act. Each fiscal year, OPM must reduce the municipal revenue sharing grant paid to a municipality if the annual increase in its general budget expenditures is equal to or greater than 2.5 percent or the inflation rate, whichever is greater. The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar the municipality spends over the expenditure cap. However, for municipalities that taxed motor vehicles at more than 32 mills for the 2013 assessment year (for taxes levied in fiscal year 15), the reduction shall not be more than the portion of the grant that exceeds the difference between the amount of property taxes the municipality levied on motor vehicles for the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32 mills. (See "Property Tax Assessments" herein.)

The Act requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the increased spending limits, and if so, the amount by which the limit was exceeded.

Under the Act, municipal spending does not include expenditures:

1. for debt service, special education, or costs to implement court orders or arbitration awards;
2. associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; or
3. for any municipal revenue sharing grant the municipality disburses to a district, up to the difference between the amount of property taxes the district levied on motor vehicles in the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32 mills, for fiscal year 17 disbursements, or 29.36 mills, for fiscal year 18 disbursements and thereafter.

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Historical General Fund Balance Sheet

	Actual 6/30/2016	Actual 6/30/2015	Actual 6/30/2014	Actual 6/30/2013	Actual 6/30/2012
Assets:					
Cash and Cash Equivalents.....	\$ 17,100,026	\$ 14,576,301	\$ 14,037,947	\$ 13,841,289	\$ 10,727,852
Receivables.....	865,540	716,699	817,950	1,863,882	2,478,791
Investments.....	8,101,000	7,983,000	7,875,000	7,736,000	5,601,000
Due from other funds.....	1,212	4,297	-	31,398	2,049,279
Other Assets	76,554	82,760	81,848	97,636	83,655
Bond Proceeds, held in trust.....	-	-	-	-	5,863,084
Prepays.....	-	-	-	-	-
Total Assets	\$ 26,144,332	\$ 23,363,057	\$ 22,812,745	\$ 23,570,205	\$ 26,803,661
Liabilities:					
Accounts Payable	\$ 1,970,241	\$ 1,206,828	\$ 1,572,040	\$ 1,472,007	\$ 1,344,273
Accrued Payroll	6,652,286	6,078,406	5,757,021	5,752,777	4,365,588
Deferred Revenue	-	-	-	866,973	1,390,364
Unearned Revenue	40,612	208,782	340,105	3,086,287	2,082,693
Due to bond escrow agent	-	-	-	-	5,863,084
Due to other funds	-	-	-	-	-
Total Liabilities	\$ 8,663,139	\$ 7,494,016	\$ 7,669,166	\$ 11,178,044	\$ 15,046,002
Deferred Inflows of Resources: ¹					
Advance Tax Collections.....	\$ 5,356,498	\$ 3,622,568	\$ 2,497,764	\$ -	\$ -
Unavailable Resources.....	319,326	296,860	476,950	-	-
Total Deferred Inflows of Resources	\$ 5,675,824	\$ 3,919,428	\$ 2,974,714	\$ -	\$ -
Fund Balance:					
Nonspendable	\$ 76,554	\$ 82,760	\$ 81,848	\$ 97,636	\$ 83,655
Committed	100,000	250,000	500,000	500,000	600,000
Assigned	2,231,241	2,503,625	2,577,811	2,559,828	2,219,557
Unassigned	9,397,574	9,113,228	9,009,206	9,234,697	8,854,447
Total Fund Balance	\$ 11,805,369	\$ 11,949,613	\$ 12,168,865	\$ 12,392,161	\$ 11,757,659

¹ Starting with the year ending June 30, 2014, there was a change in asset and liability classification per implementation of GASB Statement No. 65.

Accounting Policies and Basis of Accounting

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

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes, Sections 7-391 through 7-397), the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The Town is in full compliance with said provisions. RSM US LLP of New Haven, Connecticut have audited the Town's finances for fiscal year ended 2016.

Certificate of Achievement for Excellence in Financial Reporting

The Town was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial reports for fiscal years ended June 30, 1993 through June 30, 2015. This is the highest form of recognition for governmental accounting and financial reporting. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program. In addition, the "Distinguished Budget Presentation Award" has been presented to the Town by the GFOA for the fiscal year 2016-2017 Town budget. This is the twelfth year that the Town has received this award as the Town progresses in transforming the budget document from a basic line item budget to a performance based budget.

Budget Adoption Procedure

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

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

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

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

Capital Improvement Plan

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

Department	Fiscal Year					Total
	2016-17	2017-18	2018-19	2019-20	2020-21	
Administration & Finance						
Finance	\$ 315,000	\$ 568,000	\$ 506,000	\$ -	\$ 210,000	\$ 1,599,000
General Services.....	223,000	394,000	257,000	369,000	155,000	1,398,000
Public Property.....	295,000	280,000	445,000	565,000	510,000	2,095,000
Planning & Development						
Land Acquisition	-	-	-	-	1,000,000	1,000,000
Public Safety						
Police	3,267,000	1,413,000	-	-	-	4,680,000
Fire	635,000	140,000	640,000	795,000	1,150,000	3,360,000
Public Works						
Roads, Sidewalk, Drainage and Trees...	4,278,000	3,218,000	2,920,000	2,660,000	3,443,000	16,519,000
Sewer & Water	3,500,000	700,000	-	690,000	430,000	5,320,000
Cultural Services						
Library.....	500,000	-	-	-	-	500,000
Leisure Services						
Parks & Recreation	255,000	2,180,000	-	290,000	-	2,725,000
Education	1,600,000	1,800,000	5,503,000	5,460,000	3,250,000	17,613,000
Total	\$ 14,868,000	\$ 10,693,000	\$ 10,271,000	\$ 10,829,000	\$ 10,148,000	\$ 56,809,000
Funding Sources						
Bond/Note Proceeds	\$ 11,449,000	\$ 9,160,000	\$ 8,312,000	\$ 9,340,000	\$ 8,153,000	\$ 46,414,000
Grants	2,677,000	349,000	1,152,000	525,000	830,000	5,533,000
Capital & Non-recurring						
Expenditures Fund	742,000	1,184,000	807,000	964,000	1,165,000	4,862,000
Total Funding Sources	\$ 14,868,000	\$ 10,693,000	\$ 10,271,000	\$ 10,829,000	\$ 10,148,000	\$ 56,809,000

Note: The above is based on the Town Council's approved Five Year Capital Plan for Fiscal Years 2017 through 2021.

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Pension Programs

The Town contributes to three single employer, defined benefit pension plans: the Town, Police, and Volunteer Firefighters that are closed to new employees. Certificated teachers and certificated school administrators contribute to the Connecticut State Teachers' Retirement System which does not require Town funding.

As of the actuarial valuation for July 1, 2016, the Town, Police and Volunteer Firefighter plans were funded at 83.4%, 60.9% and 42.0%, respectively. Cheshire's pension contributions are actuarially determined and valuations are based on a 7.50% rate of return assumption on investments, projected salary increases of 2.5%-4.75% for the Town Plan and 2.5%-8% for the Police plan (not applicable for the Firefighters plan), and inflation rate increases of 2.75% for the Police and Firefighters plans. As of July 1, 2016, there were 696 members in the Town's three plans with 267 retirees receiving benefits, 103 terminated employees entitled to benefits at a future date, and 326 active plan members. Town and Police employees must have ten years of continuous service to be 100% vested. Volunteer firefighters are vested on a percentage basis after 5 years of credited service.

The Town defined benefit pension plan was closed to new employees at various times between July 1, 2006 and June 30, 2012, depending on the union or nonunion group. The Police pension plan was closed to new employees effective December 31, 2013. In lieu of these plans, the Town has instituted defined contribution plans and is contractually required to contribute a percentage of compensation to an eligible 457(b) plan for Town employees, a 403(b) plan for Board of Education employees, and a 401(a) plan for police officers. Town contributions are generally 6% of compensation or 5% plus an additional 1% match depending on the union or nonunion group, except for police officers that require a contribution based on 6% of compensation, including overtime but excluding special duty, by both the Town and the officers.

Other Post-Employment Benefits

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

The Town administers an OPEB trust for Police personnel and their spouses. As of July 1, 2015, this plan was 3% funded with actuarial assets valued at \$240,668 and had actuarial accrued liabilities valued at \$8,945,286. As of June 30, 2016, this plan had a net OPEB obligation of \$4,533,182.

The Town administers another OPEB trust for all retiree medical benefits other than Police. Town employees, other than Police, are provided a subsidy ranging from \$2,000 to \$2,500 towards health insurance coverage for up to five years or until Medicare eligible. In addition, health and life insurance has been provided to some Town and Board of Education early retirees for a limited duration. As of July 1, 2015, this plan was 3% funded with actuarial assets valued at \$61,335 and had actuarial accrued liabilities valued at \$2,049,397. As of June 30, 2016, this plan had a net OPEB asset of \$651,451.

This OPEB trust also provides funds for an implicit rate subsidy pertaining to teacher post-retirement medical premiums. Teachers are allowed to continue participating in the Town's health insurance program after retirement until Medicare eligible, but must reimburse the Town for premiums paid on their behalf. Since the premiums are based on a pool of current and retired employees, the Town incurs an implicit rate subsidy in providing these benefits. As of July 1, 2015, this plan was 3% funded with actuarial assets valued at \$499,604 and had actuarial accrued liabilities valued at \$16,693,419. As of June 30, 2016, this plan had a net OPEB obligation of \$4,573,352.

For more information, please refer to Note #8 – Other Post-Employment Benefits (OPEB) in the Notes to the Financial Statements included as Appendix A herein.

Compensated Absences

Employees may accumulate a limited amount of vested vacation and sick leave. At the end of the fiscal year 2016, the accumulated value was \$2,981,252. The Town and Board of Education were also liable for early retirement contracts totaling \$223,155.

Risk Management

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

The Town utilizes an internal service fund, the Health Insurance Fund, to account for and finance employee medical benefits claims for eligible employees of both the Town and Board of Education. The Town retains the risk of loss under the three medical plans it offers, along with dental and prescription drugs. A third party processes the claims filed under the self-insured health plans for which the Town is charged an administrative fee. The Town is a member of CT Prime, Inc, a captive established to provide a stop-loss policy for health insurance claims exceeding \$150,000. CT Prime, Inc. is an association sponsored, non-profit, non-stock specialty insurance company, fully regulated by the Connecticut Department of Insurance. CT Prime, Inc purchases commercial reinsurance for stop-loss claims in excess of \$500,000. Incurred but not reported ("IBNR") claims are accrued for in the Health Insurance Fund.

The Town utilizes another internal service fund, Heart & Hypertension, to account for the financing of heart and hypertension claims. Payments to the Health Insurance Fund are based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. For the Heart & Hypertension Fund, payments to the fund are based upon estimates of claim reserves necessary to pay annual commitments as well as future claims. The claims liability for the Health Insurance Fund and Heart & Hypertension Fund, respectively, reported in the fund at June 30, 2015, is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for IBNR claims be recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claims accrual is based on the ultimate costs of settling the claims, which includes past experience data, inflation and other future economic and societal factors and incremental claims adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

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

Investments

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

The Town has investment policies for its pension and other postemployment benefit (OPEB) funds that provide an asset allocation average, over a full market cycle, of approximately 65% equities (or alternative investment strategies as equivalents) and 35% fixed income and cash (or alternative investment strategies equivalents). For purposes of the policy, a full market cycle is defined by the Board to be no less than three years, or more than seven years. However, within a market cycle, Plan allocations should not exceed the following parameters:

	<u>Target</u>	<u>Range</u>
A. Global Equities	65%	35% - 80%
B. Fixed Income and Cash	35%	20% - 65%
C. Domestic Equities	60%	40% - 80%
D. International Equities	40%	20% - 60%

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VII. Legal and Other Information

Litigation

Following consultation with the Town Attorney, Alfred Smith of Murtha Cullina, New Haven, Connecticut, and other attorneys providing legal services to the Town, Town officials advise that the Town, its officers, employees, boards and commissions are named defendants in a number of lawsuits. It is the Town Attorney's opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Transcript and Closing Documents

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

1. Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.

2. A certificate on behalf of the Town of Cheshire, Connecticut signed by the Town Manager and the Director of Finance & Treasurer, which will be dated the date of delivery, and attached to a signed copy of the Official Statement, certifying that, to the best of said officials' knowledge and belief, at the time bids on the Bonds were accepted, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.

3. A receipt for the purchase price of the Bonds.

4. The approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut in substantially the form attached as Appendix B to this Official Statement.

5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached as Appendix C to this Official Statement.

The Town of Cheshire has prepared an Official Statement for the Bonds, which is dated February 22, 2017. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(5), but it is subject to revision or amendment. The Town will make available to the winning bidder of the Bonds 100 copies of the Official Statement at the Town's expense within seven business days of the bid opening. Additional copies may be obtained by the original purchaser at its own expense by arrangement with the printer.

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

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Concluding Statement

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

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

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

TOWN OF CHESHIRE, CONNECTICUT

/s/ Michael A. Milone

Michael A. Milone, *Town Manager*

/s/ James J. Jaskot

James J. Jaskot, *Director of Finance & Treasurer*

Dated: February 22, 2017

Appendix A

2016 Basic Financial Statements

The following includes the Basic Financial Statements of the Town for the fiscal year ended June 30, 2016. The supplemental data, which was a part of that report, has not been reproduced herein. A copy of the complete report is available upon request from Matthew Spoerndle, Senior Managing Director, Phoenix Advisors LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Independent Auditor's Report

To the Honorable Members of the Town Council
Town of Cheshire, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Cheshire, Connecticut (the Town) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cheshire, Connecticut as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, the schedules of funding progress and employer contributions –OPEB, the pension related schedules as listed in the table on contents, and the General Fund budgetary comparison information, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and other schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
January 3, 2017

Town of Cheshire, Connecticut
Management's Discussion and Analysis - *unaudited*
June 30, 2016

As management of the Town of Cheshire, Connecticut (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report as well as the Town's basic financial statements that follow this section.

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

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town between two categories: governmental activities that are principally supported by taxes and intergovernmental revenues and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include administration and finance, planning and development, public safety, public works, public health, social services, cultural services, leisure services and education. The Town has no business type activities.

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

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

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end

of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Therefore long-term liabilities and capital assets are not presented.

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

The Town maintains 21 individual governmental funds that are classified as either major or non-major funds. The information for the major funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Town's three major funds are the General Fund, which includes 3 funds that were reclassified to the General Fund as they did not meet the definition of a special revenue fund per GASB No. 54, the Capital Improvements Fund and the Debt Reserve Fund. The other 15 funds are nonmajor and are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the Combining and Individual Nonmajor Fund Financial Statements and Schedules section of this report.

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

The basic governmental fund financial statements can be found on pages 15-17 of this report.

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

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

The basic fiduciary fund financial statements can be found on pages 23-24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-69 of this report.

Required Supplementary Information presents the Town's progress in funding its obligation to provide pension and other postemployment benefits to employees. This information for pensions and other postemployment benefits can be found on pages 71-75 of this report. Also included in the required supplementary information is the General Fund budgetary-basis revenue and expenditure financial report and notes. This information can be found on pages 76-78 of this report.

Supplemental and combining nonmajor fund statements and schedules showing detail for nonmajor governmental funds, internal service funds, fiduciary funds and capital assets are presented on pages 96-115 of this report.

Financial Highlights-Government-wide Financial Statements

- Total assets exceed liabilities by \$108.172 million, which includes \$127.363 million invested in capital assets. The balance includes \$4.945 million restricted for various programs and a deficit, unrestricted net position of \$(24.136) million. Unrestricted net position, if any, may be used to meet the Town's ongoing obligations to citizens and creditors.
- The net position of the Town increased by \$5.964 million. This increase was mainly due to a \$5.939 million increase in the net investment in capital assets.
- Revenues increased by \$3.386 million, or 2.74%, primarily due to an increase in tax revenues of \$2.024 million. There was also a \$.499 million increase in capital grants and contributions and a \$.528 million increase in investment income and other revenues.
- Expenses increased by \$3.737 million, or 3.18%. The increase was partly the result of an \$8.116 million in net pension liabilities less \$6.559 million net favorable adjustment for pension deferred inflows and outflows.

Financial Highlights - Fund Financial Statements

- As of the close of the current fiscal year, the overall decrease in fund balance for governmental funds is \$9.781 million resulting in an ending fund deficit of \$(.789) million. This decrease was mostly due to capital outlay for bonded or lease financed projects during the year totaling \$17.994 million, offset by capital grants of \$5.891 million and lease proceeds of \$1.2 million.
- The total General Fund fund balance at June 30, 2016 was \$11.805 million, a decrease of \$.144 million from the prior fiscal year. For reporting purposes, two reserve funds and the Community Pool fund are combined with the General Fund. A decrease in Pension Reserve fund balance \$.150 million and Insurance Reserve Fund balance of \$.258 million, offset an otherwise General Fund balance increase of \$.229 million.
- The \$11.805 million General Fund fund balance at June 30, 2016 consists of \$9.398 million unassigned fund balance, or 8.35% of operating expenses. There is also \$.100 million of committed fund balance to mitigate increases in contributions funding long-term pension liabilities and \$2.231 million of assigned fund balance, primarily for encumbrances.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$108.172 million at the close of the most recent fiscal year.

Town of Cheshire, Connecticut Summary Statement of Net Position June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 46,942,171	\$ 50,780,304
Capital Assets	222,770,856	210,554,394
Total assets	269,713,027	261,334,698
Pension related items	9,119,928	4,258,055
Deferred charge on refundings	1,845,739	1,683,686
Total deferred outflows of resources	10,965,667	5,941,741
Current Liabilities	45,829,510	42,348,233
Long-Term Liabilities	117,239,830	113,319,471
Total liabilities	163,069,340	155,667,704
Pension related items	4,080,677	5,778,228
Advance tax collections	5,356,498	3,622,568
Total deferred inflows of resources	9,437,175	9,400,796
Net Position		
Net investment in capital assets	127,363,312	121,424,000
Restricted	4,945,248	3,933,825
Unrestricted (Deficit)	(24,136,381)	(23,149,886)
Total net position	\$ 108,172,179	\$ 102,207,939

The net investment in capital assets, (e.g. land, buildings, machinery and equipment, and infrastructure), represents 117.7%, or \$127.4 million of the Town's net position. These assets are used to provide services to Town citizens; and, it should be noted that these assets are not available for future spending. While the net investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Investment in Capital Assets is calculated as follows:

Capital Assets, net of depreciation	\$ 222,770,856
Less: Related Debt	(57,008,754)
Deferred Loss	1,845,739
Bond Premium	(3,639,246)
Accounts Payable for Capital Outlay	(2,194,404)
Note Payable	(24,067,739)
Capital Lease	(10,876,324)
Unspent Bond Proceeds	<u>533,184</u>
 Net Investment in Capital Assets	 <u><u>\$ 127,363,312</u></u>

A small portion of the Town's net position, \$4.945 million, represents resources that are subject to external restrictions from grantors on how they may be used.

The remainder is a deficit, unrestricted net position of \$(24.136) million. Unrestricted net position, if any, may be used to meet the Town's ongoing obligations to citizens and creditors.

**Town of Cheshire
Summary Statement of Activities
Years Ended June 30, 2016 and 2015**

	Governmental Activities		
	2016	2015	% Change
Revenues			
Program Revenues:			
Charges for services	\$ 7,715,705	\$ 7,402,696	4.23%
Operating grants and contributions	22,485,041	22,418,673	0.30%
Capital grants and contributions	5,890,851	5,391,951	9.25%
General Revenues:			
Property taxes	84,033,687	82,009,841	2.47%
Grants and contributions not restricted to specific programs	5,902,772	5,947,447	-0.75%
Investment income and other	1,080,466	552,133	95.69%
Total revenues	<u>127,108,522</u>	<u>123,722,741</u>	2.74%
Expenses			
Administration & Finance	6,634,110	6,264,237	5.90%
Planning and Development	930,029	797,223	16.66%
Public Safety	12,438,366	11,990,878	3.73%
Public Works	11,174,627	10,583,909	5.58%
Public Health	451,549	449,181	0.53%
Social Services	1,376,240	1,274,402	7.99%
Culture Services	2,870,852	2,674,653	7.34%
Leisure Services	2,774,837	2,753,641	0.77%
Education	80,770,281	78,870,598	2.41%
Interest on long-term debt	1,723,391	1,748,819	-1.45%
Total expenses	<u>121,144,282</u>	<u>117,407,541</u>	3.18%
 Change in net position	 5,964,240	 6,315,200	
Net Position, beginning	<u>102,207,939</u>	95,892,739	
Net Position, ending	<u>\$ 108,172,179</u>	<u>\$ 102,207,939</u>	

Governmental Activities. Governmental activities increased the Town's net position by \$5.964 million.

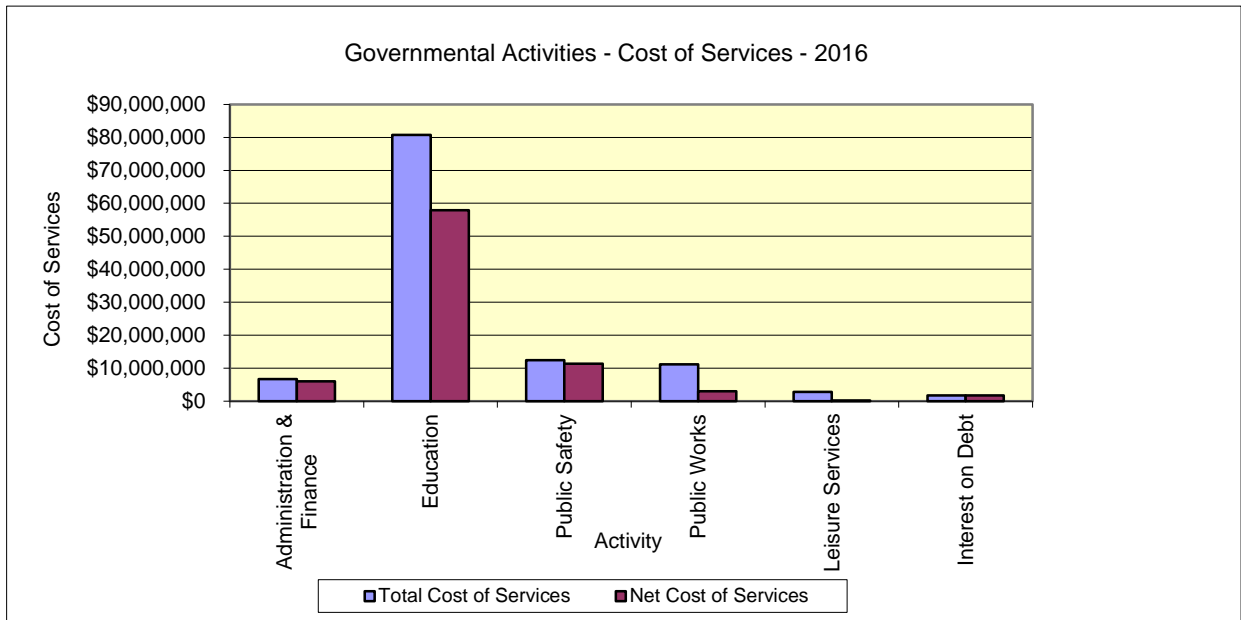
Major revenue factors include:

- Overall, revenues increased by \$3.386 million, primarily due to increases in property tax revenue and capital grants and contributions as detailed below.
- Capital grants and contributions increased by \$.499 million primarily due to the receipt of a \$.200 million State open space grant and increases in various State and federal grants for roads, bridges and the Linear Park Trail, offset by a decrease in Clean Water Fund grant revenue following the substantial completion of the Water Pollution Control Plant upgrade project.
- Property tax revenue increased by \$2.024 million, consistent with the fiscal year 2016 budget increase of \$2.131 million.
- Investment income and other increased by \$.528 million mainly due to the receipt of several energy rebates totaling \$.816 million, offset by a \$.301 million loss on disposal of capital assets. The energy rebates were associated with energy efficiency projects at various Town and school buildings, including the Water Pollution Control Plant. The Town also initiated a conversion to LED street lights.

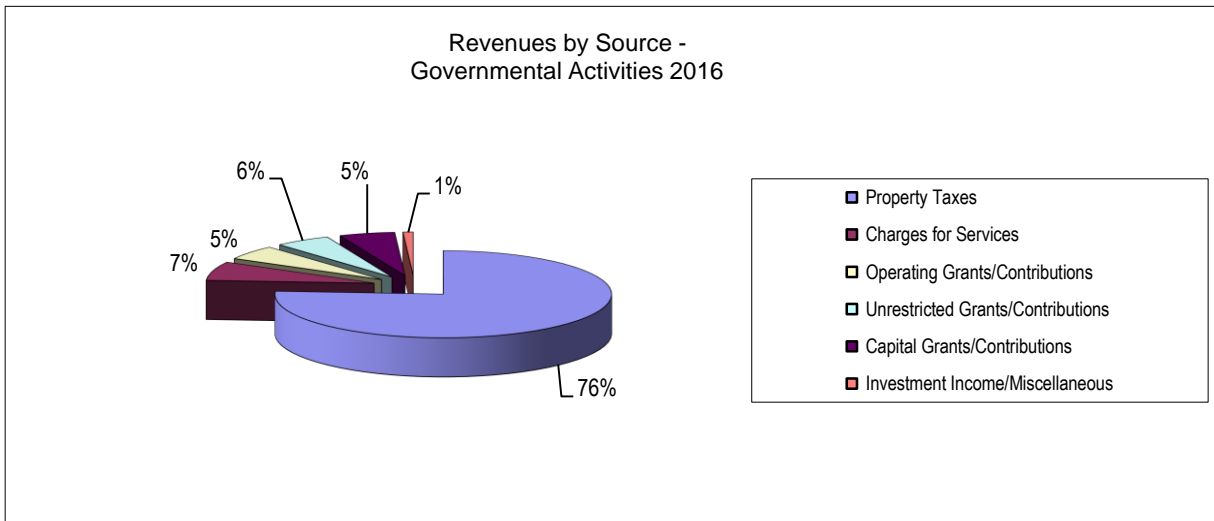
Major expense factors include:

- Overall, expenses increased by \$3.737 million, or 3.18%. The increase was partly the result of an \$8.116 million in net pension liabilities less \$6.559 million net favorable adjustment for pension deferred inflows and outflows. This adjustment results from the amortization of differences between actuarial projections and actual results for investment earnings, plan experience and changes in actuarial assumptions. Expenses would have increased by \$2.180 million, a modest 1.86%, consistent with the \$2.131 million increase in the fiscal year 2016 General Fund budget.

The chart below presents the costs of six of the Town's major governmental activities as well as their net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.



The chart below represents all Town revenues by source:



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances (deficits) of \$ (.789) million, a decrease of \$9.781 million from the prior year. The \$(.789) fund deficit consists of \$17.576 million that is either nonspendable, restricted, committed, or assigned as defined by Governmental Accounting Standards Board No. 54, offset by an unassigned fund deficit of \$(16.787) million. Definitions for these fund balance classifications can be found in Note 1 to the financial statements.

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund is \$9.398 million while total fund balance is \$11.805 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.35% of total General Fund expenses, while total fund balance represents 10.49% of that same amount.

Capital Improvements Fund

The Capital Improvements fund balance decreased by \$9.647 million. Capital outlay during the year of \$16.891 million exceeded funding from capital grants of \$5.891 million, lease proceeds of \$1.2 million and transfers from two special revenue funds totaling \$.153 million.

Debt Reserve Fund

The Debt Reserve Fund balance was \$6.514 million, an increase of \$.310 million. A transfer in from the General Fund of \$.350 million and investment and other income totaling \$.028 million, offset by debt service expenses of \$.069 million, provided for the increase.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets, net of accumulated depreciation, for its governmental activities as of June 30, 2016, amounts to \$222.771 million. This investment in capital assets includes land, land improvements, buildings and improvements, vehicles, machinery and equipment, infrastructure, and construction in progress.

Major capital asset activity during the current fiscal year follows: Building and improvements of \$46.324 million were placed in service during the year and include \$33.814 million for the Waste Water Treatment Plant upgrade, \$3.121 million for the Community Pool tension membrane dome structure, \$.279 million for Senior Center basement renovations, \$7.550 million for various energy conservation projects for Town and school buildings and various other school building projects, including locker room renovations, floors and windows, totaling \$1.400 million. Land Improvements increased by \$.598 million, mostly for parking lot paving at Town and school buildings. Machinery and Equipment additions of \$1.662 million included \$.315 million for a backhoe and street sweeper and \$.948 million for technology infrastructure and Town phone and video surveillance systems. Infrastructure additions of \$4.503 include \$.798 million for street poles and light fixtures, \$.587 million for Creamery Road Bridge, \$.229 million for dam and spillway improvements at Mixville Park, and \$1.811 for milling and paving roads. Construction in progress decreased by \$34.961 million to \$6.186 million, following the completion and placing in service of the various assets described above.

**Town of Cheshire, Capital Assets
Net of Accumulated Depreciation**

	Governmental Activities	
	June 30,	
	2016	2015
Land	\$ 21,325,694	\$ 21,325,694
Building and improvements	118,308,170	75,136,084
Land Improvements	4,170,995	3,743,422
Machinery and equipment	6,665,579	5,951,509
Motor vehicles	4,548,128	4,359,296
Infrastructure	61,566,267	58,890,906
Construction in progress	6,186,023	41,147,483
Total	\$ 222,770,856	\$ 210,554,394

Additional information on the Town's capital assets can be found in Note 5 on pages 43-44 of this report and in the Capital Assets Used in the Operation of Governmental Funds section of this report on pages 113-115.

Long-term Debt. At the end of the current fiscal year, the Town had total gross bonded debt outstanding of \$60.647 million including \$3.638 million of unamortized bond premiums. The Town issued general obligation refunding bonds of \$5.940 million during fiscal year 2016 and retired \$5.588 million in debt, resulting in a decrease in net debt outstanding of 8.90% over the prior year.

The Town maintains an "AAA" rating from both Fitch Ratings and Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections including interest and lien fees. The current debt limitation for the Town is \$586.827 million. The Town had debt issues outstanding that were \$57.009 million, or 9.71% of the total debt limitation.

Additional information on the Town's long-term debt can be found in Note 6 on pages 45-49 of this report.

Economic Factors and Next Year's Budgets and Rates

Median household income was \$106,489 and per capita income was \$44,280 in 2016. For the fiscal year ended June 30, 2016, unassigned fund balance in the General Fund was \$9.398 million. These factors were among those considered in preparing the Town's budget for the 2017 fiscal year.

The original, 2017 General Fund budget increased by 1.73%, or \$1.838 million and the mill rate increased by 1.63%, from 30.69 mills to 31.19 mills. The Water Pollution Control Authority's rates were increased by \$17 to \$400 for the 2017 budget year.

Requests for Information

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

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Basic Financial Statements

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Town of Cheshire, Connecticut

Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 33,003,456
Investments, certificate of deposit	8,912,000
Receivables, net of allowance for collection losses:	
Property taxes	264,107
Assessments and user charges	286,658
Intergovernmental	2,358,988
Other	758,668
Other assets	111,762
Total current assets	<u>45,695,639</u>
Noncurrent Assets	
Capital assets not being depreciated	27,511,717
Capital assets being depreciated, net of accumulated depreciation	195,259,139
Restricted cash	533,184
Other postemployment benefit asset	651,451
Intergovernmental receivables	61,897
Total noncurrent assets	<u>224,017,388</u>
Total assets	<u>269,713,027</u>
Deferred Outflows of Resources	
Pension related items	9,119,928
Deferred charge on refundings	1,845,739
Total deferred outflows of resources	<u>10,965,667</u>
Liabilities	
Current Liabilities	
Accounts payable	5,593,309
Accrued payroll	6,692,481
Accrued interest payable	743,875
Notes payable	24,067,739
Unearned revenue	1,154,176
Current portion of long-term debt obligations	7,577,931
Total current liabilities	<u>45,829,511</u>
Noncurrent	
Noncurrent portion of long-term debt obligations	117,239,829
Total noncurrent liabilities	<u>117,239,829</u>
Total liabilities	<u>163,069,340</u>
Deferred Inflows of Resources	
Pension related items	4,080,677
Advance tax collections	5,356,498
Total deferred inflows of resources	<u>9,437,175</u>
Net Position	
Net Investment in Capital Assets	127,363,312
Restricted for Various Programs	
Nonexpendable	78,361
Administration and finance	14,779
Public safety	694,010
Public works	696,174
Social services	42,850
Cultural services	152,530
Leisure services	56,272
Education	1,050,087
Capital outlay	1,990,360
Debt service	169,825
Unrestricted (deficit)	(24,136,381)
Total net position	<u>\$ 108,172,179</u>

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Balance Sheet - Governmental Funds
June 30, 2016

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Improvements Fund	Debt Reserve Fund		
Assets					
Cash and cash equivalents	\$ 17,100,026	\$ -	\$ 6,513,809	\$ 5,072,152	\$ 28,685,987
Receivables (net of allowances for collection losses):					
Property taxes	264,107	-	-	-	264,107
Assessments and user charges	-	-	-	286,658	286,658
Intergovernmental	165,216	1,990,359	-	265,310	2,420,885
Other	436,217	-	-	20,560	456,777
Due from other funds	1,212	-	-	-	1,212
Certificate of deposits	8,101,000	-	-	811,000	8,912,000
Restricted Cash	-	533,184	-	-	533,184
Other assets	76,554	-	-	-	76,554
Inventory	-	-	-	35,208	35,208
Total assets	\$ 26,144,332	\$ 2,523,543	\$ 6,513,809	\$ 6,490,888	\$ 41,672,572
Liabilities					
Accounts payable	\$ 1,970,241	\$ 2,194,404	\$ -	\$ 429,567	\$ 4,594,212
Accrued payroll	6,652,286	-	-	29,491	6,681,777
Notes payable	-	23,989,986	-	77,753	24,067,739
Due to other funds	-	61	-	1,151	1,212
Unearned revenues	40,612	-	-	1,113,564	1,154,176
Total liabilities	8,663,139	26,184,451	-	1,651,526	36,499,116
Deferred Inflows of Resources					
Advance tax collections	5,356,498	-	-	-	5,356,498
Unavailable resources	319,326	-	-	286,658	605,984
Total deferred inflows of resources	5,675,824	-	-	286,658	5,962,482
Fund Balances (Deficits)					
Nonspendable	76,554	-	-	113,569	190,123
Restricted	-	2,523,543	-	2,876,528	5,400,071
Committed	100,000	-	6,513,809	1,119,567	7,733,376
Assigned	2,231,241	-	-	443,040	2,674,281
Unassigned	9,397,574	(26,184,451)	-	-	(16,786,877)
Total fund balances (deficits)	11,805,369	(23,660,908)	6,513,809	4,552,704	(789,026)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 26,144,332	\$ 2,523,543	\$ 6,513,809	\$ 6,490,888	\$ 41,672,572

See Notes to Financial Statements.

Town of Cheshire, Connecticut

**Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2016**

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

Total fund balance (Page 15)	\$ (789,026)
Capital assets, net of accumulated depreciation purchased in governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole.	222,770,856
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
School building grant receivable	91,156
Property tax and other receivables not currently available	514,828
Other postemployment benefit asset	651,451
Deferred outflows of resources - pension related items	9,119,928
Internal service funds are used by management to charge the cost of medical insurance to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	928,642
Deferred inflows of resources - pension related items	(4,080,677)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(57,008,754)
Net pension liability	(37,810,874)
Other postemployment benefit obligation	(9,106,534)
Deferred loss on refunding	1,845,739
Bond premium	(3,639,246)
Accrued interest payable	(743,875)
Landfill accrual	(480,000)
Compensated absences	(2,981,252)
Capital lease	(10,876,324)
Accrued payroll	(10,704)
Early retirement	(223,155)
	<hr/>
Net position of governmental activities (page13)	\$ 108,172,179

See Notes to Financial Statements

Town of Cheshire, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Improvements Fund	Debt Reserve Fund		
Revenues					
Property taxes	\$ 83,973,691	\$ -	\$ -	\$ -	\$ 83,973,691
Intergovernmental	25,313,541	5,890,851	-	2,171,302	33,375,694
Income from investments	145,901	-	25,646	25,155	196,702
Charges for services	2,561,691	-	-	5,239,865	7,801,556
Contributions	-	-	-	432,199	432,199
Other	709,382	-	2,826	459,362	1,171,570
Total revenues	112,704,206	5,890,851	28,472	8,327,883	126,951,412
Expenditures					
Current:					
Administration and Finance	11,828,942	-	-	423,265	12,252,207
Planning and Development	527,025	-	-	197,185	724,210
Public Safety	6,765,459	-	-	388,209	7,153,668
Public Works	5,310,222	-	-	2,199,640	7,509,862
Public Health	451,549	-	-	-	451,549
Social Services	819,370	-	-	27,572	846,942
Cultural services	1,901,710	-	-	51,547	1,953,257
Leisure services	2,088,041	-	-	19,457	2,107,498
Education	75,896,046	-	-	3,556,261	79,452,307
Debt service	6,945,314	-	68,757	589,184	7,603,255
Capital outlay	-	16,890,980	-	1,102,906	17,993,886
Total expenditures	112,533,678	16,890,980	68,757	8,555,226	138,048,641
Revenues over (under) expenditures	170,528	(11,000,129)	(40,285)	(227,343)	(11,097,229)
Other Financing Sources (Uses)					
Issuance of refunding bonds	5,940,000	-	-	-	5,940,000
Premiums on bonds issued	495,080	-	-	-	495,080
Payments made to escrow	(6,318,509)	-	-	-	(6,318,509)
Issuance of debt - leases	-	1,200,000	-	-	1,200,000
Transfers in	753,657	153,319	350,000	835,000	2,091,976
Transfers out	(1,185,000)	-	-	(906,976)	(2,091,976)
Total other financing sources (uses)	(314,772)	1,353,319	350,000	(71,976)	1,316,571
Change in fund balances (deficits)	(144,244)	(9,646,810)	309,715	(299,319)	(9,780,658)
Fund Balances (Deficits), Beginning	11,949,613	(14,014,098)	6,204,094	4,852,023	8,991,632
Fund Balances (Deficits), Ending	\$ 11,805,369	\$ (23,660,908)	\$ 6,513,809	\$ 4,552,704	\$ (789,026)

See Notes to Financial Statements.

Town of Cheshire, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

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

Net change in fund balances – total governmental funds (Page 17) \$ (9,780,658)

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

Capital outlay	18,864,474
Depreciation expense	<u>(6,346,970)</u>
Total	<u>12,517,504</u>

Change in other postemployment benefit asset 114,707

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (301,042)

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

School building grants	(37,530)
Decrease in property tax, sewer use and sewer and water assessment interest and lien revenue	<u>(25,855)</u>
Total	<u>(63,385)</u>

Change in deferred outflows of resources - pension related items 4,861,873

(Continued)

Town of Cheshire, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities (Continued)
For the Year Ended June 30, 2016**

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

Debt issued or incurred:	
Refunding bond proceeds	\$ (5,940,000)
Bond premium	(143,317)
Deferred loss	162,053
Principal repayments:	
Advanced refunding	5,920,000
General obligation bonds	5,587,712
Total	<u>5,586,448</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This represents the changes in various liability accounts that impact expenses/expenditures:

Compensated absences	(140,102)
Early retirement	130,811
Landfill closure	24,000
Net pension liability	(8,116,075)
Other postemployment benefit obligation	(771,157)
Capital leases	(1,111,324)
Accrued payroll	(7,460)
Accrued interest payable	60,274
Total	<u>(9,931,033)</u>

The change in net position of the Internal Service Fund is reported with governmental activities	<u>1,262,275</u>
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Change in deferred inflows of resources - pension related items	<u>1,697,551</u>
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Change in net position of governmental activities (page 14)	<u><u>\$ 5,964,240</u></u>
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(Concluded)

Town of Cheshire, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2016

	Governmental Activities
	<u>Internal Service Funds</u>
<hr/>	
Assets	
Current Assets	
Cash and cash equivalents	\$ 4,317,469
Accounts receivable	<u>301,891</u>
Total assets	<u>4,619,360</u>
Liabilities	
Current Liabilities	
Claims payable	<u>1,473,879</u>
Noncurrent Liabilities	
Claims payable	<u>2,216,839</u>
Total liabilities	<u>3,690,718</u>
Net Position	
Unrestricted	<u>\$ 928,642</u>

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2016

	Governmental Activities <u>Internal Service Funds</u>
Operating Revenues	
Charges for services	\$ 13,874,386
Total operating revenues	<u>13,874,386</u>
Operating Expenses	
Claims incurred	11,158,381
Administration	1,466,966
Total operating expenses	<u>12,625,347</u>
Operating income	<u>1,249,039</u>
Nonoperating Revenues	
Investment income	13,236
Total nonoperating revenues	<u>13,236</u>
Change in net position	1,262,275
Net Position (Deficit), Beginning	<u>(333,633)</u>
Net Position, Ending	<u>\$ 928,642</u>

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Governmental Activities
	<u>Internal Service Funds</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 13,748,943
Claims paid	(11,379,730)
Payments for administration	(1,466,966)
Net cash provided by operating activities	<u>902,247</u>
Cash Flows Provided By Investing Activities	
Investment income	<u>13,236</u>
Net increase in cash and cash equivalents	915,483
Cash and Cash Equivalents	
Beginning	<u>3,401,986</u>
Ending	<u><u>\$ 4,317,469</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 1,249,039
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(125,443)
Decrease in claims payable	(221,349)
Net cash provided by operating activities	<u><u>\$ 902,247</u></u>

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2016

	Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 800,115	\$ -	\$ 773,972
Investments			
Common stock	7,770,600	-	-
Money market mutual funds	5,825,741	-	-
Fixed income mutual funds	11,569,352	-	-
Equity mutual funds	20,011,338	-	-
Private equity funds	4,548,077	-	-
Alternative investments	15,286,345	-	-
Total investments	65,011,453	-	-
Total assets	65,811,568	-	773,972
Liabilities			
Accounts payable	61,962	-	773,972
Total liabilities	61,962	-	773,972
Net Position - Restricted for Pension Benefits and Other Purposes	\$ 65,749,606	\$ -	\$ -

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

	Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 3,298,604	\$ -
Plan members	687,379	-
Total contributions	3,985,983	-
Investment Income:		
Net depreciation in fair value of investments	(2,958,961)	-
Interest and dividends	888,862	-
	(2,070,099)	-
Less investment expenses:		
Investment management fees	196,675	-
Net investment loss	(2,266,774)	-
Miscellaneous income	78,052	-
Total additions	1,797,261	-
Deductions		
Benefits and other	5,272,674	22,509
Changes in net position	(3,475,413)	(22,509)
Net Position - Restricted for Pensions and Other Purposes		
Beginning of year	69,225,019	22,509
End of year	\$ 65,749,606	\$ -

See Notes to Financial Statements.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies

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

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

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

Accounting standards adopted in the current year: The Town adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement added additional disclosures to Note 2.

The Town adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. This statement completes the suite of pension standards. Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statement Nos. 67 and 68). The requirements in Statement No. 73 for reporting pensions generally are the same as in Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The implementation of this statement had no impact on the Town's financial statements.

The Town adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of this statement had no impact on the Town's financial statements.

The Town adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. The implementation of this statement had no impact on the Town's financial statements.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Basis of presentation:

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

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

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

Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. The agency funds are reported using the accrual basis of accounting but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the town's major governmental funds:

The Town reports the following major governmental funds:

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

The Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of capital facilities and major equipment. Resources for the capital improvements fund generally consist of proceeds from long-term debt, grants and transfers from other funds.

The Debt Reserve Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The other governmental funds of the Town are considered nonmajor and are as follows:

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The endowments have no appreciation of investments as they are invested in certificates of deposit which are held to maturity. All of the income is available for expenditure and there are no donor-imposed restrictions.

Proprietary funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows.

The Town reports the following proprietary fund:

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

Fiduciary funds: The Town reports the following as fiduciary funds:

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

Postemployment Trust Funds account for account for the accumulation of resources to pay retiree medical benefits.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

Pension plan accounting:

Pension trust funds: Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental funds and governmental activities: In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Other post-employment obligations (OPEB) accounting:

OPEB Trust Funds: The OPEB Trust Funds are reported on the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due, and the Town has made a formal commitment to provide contributions.

Governmental funds and governmental activities: In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Funding policy: The Town makes annual contributions based on management decisions.

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

Restricted assets: At June 30, 2016, the Town had approximately \$533,000 in restricted assets. This amount relates primarily to unspent capital lease and bond proceeds which are to be used for the acquisition of capital assets.

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

Property taxes: Property taxes are assessed as of October 1 and levied on the following July 1st. Real estate taxes are generally due and payable in two installments on July 1 and January 1. Real estate taxes not in excess of \$100 and motor vehicle and personal property taxes are due and payable in one installment on July 1. Motor vehicle supplemental bills are due on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of 1 ½% per month. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value. Liens are recorded during the month of April.

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

Cash equivalents: The Town classifies money market funds, treasury bills and certificates of deposit having original maturities of three months or less when purchased as cash equivalents.

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

The balance of the pooled fixed income investments were invested in a pool. The investments in the pool adheres to GASB Statement No. 79, "Certain External Investment Pools and Pool Participants" which accounts for the asset investment. The value of the position in the pool is the same as the value of the pool shares. These cash equivalents are stated at amortized cost. The Town also has \$8.9 million invested in certificates of deposit with maturities of one year or less. All certificates of deposit are recorded at amortized cost.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Investments: Investments are stated as follows:

- U.S. Government Agencies, U.S. Government Securities, Sovereign Fixed Income, Municipal Bonds, Collateralized Mortgage Obligations using quoted market price.
- Common Stock, and Equity Funds - closing prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments - amortized cost which approximates fair value.
- Hedge Funds may include private equity partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

The majority of the Town's investments are in the Trust Funds.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

See Note 2 for additional information regarding fair value.

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

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

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.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Compensated absences:

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

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

Long-term obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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

Net pension liability: The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

The Town also reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

The Town also reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

Net position: In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted net position: This category represents the net position of the Town, which are not reported in the other categories.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Fund balance: In the fund financial statements, the Town reported the following governmental fund balance classifications:

Nonspendable: Amounts which cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed: This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision-making authority (Town of Cheshire Town Council.) Commitments may be established, modified, or rescinded only through resolutions approved by the Town Council as per the Town Fund Balance policy.

Assigned: Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Under the Town's Fund Balance policy, the Town Council has by resolution authorized the Town Manager or the Finance Director to assign fund balance.

Unassigned: The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

The Town has a minimum General Fund balance policy to maintain an unassigned balance of 8% to 9% of the previous year's audited budgetary expenditures.

Note 2. Cash, Cash Equivalents and Investments

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

The Town has an investment policy for each of its pension funds and an investment policy for the Police Post-Employment Healthcare Fund that provides an asset allocation, over a full market cycle of approximately 65% equities (or alternative investment strategies as equivalents) and 35% fixed income and cash (or alternative investment strategies as equivalents). For purposes of this document, a full market cycle is defined by the Retirement Board to be no less than three years, or no more than seven years.

The allocation targets and ranges for all plans are expressed in the Investment Policy Statement as follows:

	Minimum*	Target*	Maximum*
Global equity securities or funds	35%	65%	80%
Fixed income and cash	20	35	65
Domestic equity securities or funds	40	60	80
International equity securities or funds	20	40	60

* as a percentage of total equity

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

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

Custodial credit risk:

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

The following represents the investments in each respective Plan that represents more than 5% of the respective Plan's net position as of June 30, 2016:

Town Pension Fund

Berens Capital Fund	\$	2,398,755
First Eagle Global Fund Class I		3,072,020
FPA Crescent Portfolio Fund Class 1		3,193,067
Ironwood International Ltd.		2,887,148
IVA Worldwide Fund Class I		3,255,412
Neuberger Berman International Fund		2,174,199
Oppenheimer International Growth		2,196,068
SCS Opportunities		2,080,359
Snow Capital		2,541,159
Wedgewood Partners		2,585,520

Police Pension Fund

Berens Capital Fund		1,467,250
First Eagle Global Fund Class I		1,879,067
FPA Crescent Portfolio Fund Class 1		1,953,108
Ironwood International Ltd.		1,765,986
IVA Worldwide Fund Class I		1,991,242
Neuberger Berman International Fund		1,329,896
Oppenheimer International Growth		1,343,272
SCS Opportunities		1,272,496
Snow Capital		1,554,354
Wedgewood Partners		1,581,489

Volunteer Firefighters' Pension

FPA Crescent Portfolio Fund Class I		212,985
IVA Worldwide Fund Class I		198,236
Loomis Sayles Bond Fund		86,932
Metro West Total Return Class I		87,900
PIMCO All Asset Authority		157,879
Vanguard International Equity Index Funds		216,414
Vanguard 500 Index		388,980

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Police Post-Employment Healthcare Fund

FPA Crescent Portfolio Fund Class I	\$	30,461
IVA Worldwide Fund Class I		28,181
Loomis Sayles Bond Fund		12,281
Metro West Total Return Bond Class I		13,199
PIMCO All Asset Authority		22,331
Vanguard International Equity Index Funds		30,554
Vanguard 500 Index		57,037

Other Post-Employment Healthcare Fund

FPA Crescent Portfolio Fund Class I		78,420
IVA Worldwide Fund Class I		74,042
Loomis Sayles Bond Fund		31,643
Metro West Total Return Bond Class I		30,860
PIMCO All Asset Authority		57,316
Vanguard International Equity Index Funds		81,535
Vanguard 500 Index		140,106

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2016, approximately \$38,554,000 of the Town's approximate bank balance of \$44,923,000 was uninsured and uncollateralized.

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Cash, restricted cash and investments of the Town, Pension and OPEB trust funds consist of the following at June 30, 2016:

Cash, Restricted Cash and Cash Equivalents	
Deposits with financial institutions	\$ 25,252,474
State of Connecticut Short-Term Investment Fund	9,858,253
Total cash, restricted cash and cash equivalents	<u>35,110,727</u>
Investments	
General Fund	
Certificates of deposit	8,101,000
Special Revenue Funds	
Certificates of deposit	761,000
Permanent Funds	
Certificates of deposit	50,000
Total governmental funds investments	<u>8,912,000</u>
Pension and OPEB Trust Funds	
Common stocks	7,770,600
Money market mutual funds	5,825,741
Fixed income mutual funds	11,569,352
Equity mutual funds	20,011,338
Private equity funds	4,548,077
Alternative investments	15,286,345
Total pension and OPEB investments	<u>65,011,453</u>
Total investments	<u>73,923,453</u>
Total cash, restricted cash, cash equivalents and investments	<u>\$ 109,034,180</u>

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

Statement of net position	
Cash and cash equivalents	\$ 33,003,456
Investments	8,912,000
Restricted cash and cash equivalents	533,184
	<u>42,448,640</u>
Fiduciary funds	
Cash and cash equivalents	1,574,087
Investments	65,011,453
	<u>66,585,540</u>
Total cash, restricted cash, cash equivalents and investments	<u>\$ 109,034,180</u>

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

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

Type of Investment	Fair Value	Investment Maturities (In Years)	
		Less Than 1 Year	1 - 5 Years
Pooled fixed income	\$ 9,858,253	\$ 9,858,253	\$ -
Money market mutual funds	5,825,741	5,825,741	-
Fixed income mutual funds	11,569,352	-	11,569,352
Total	\$ 27,253,346	\$ 15,683,994	\$ 11,569,352

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

Standard & Poor's	Pooled Fixed Income	Certificates of Deposit	Money Market Mutual Funds	Fixed Income Mutual Fund
AAAm	\$ 9,858,253	\$ -	\$ -	\$ -
Unrated	-	8,912,000	5,825,741	11,569,352
	\$ 9,858,253	\$ 8,912,000	\$ 5,825,741	\$ 11,569,352

The Town has additional commitments to invest in certain alternative investments of approximately \$3,946,000 at June 30, 2016.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Fair value: The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset as shown in the table below. The Town has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
	June 30, 2016		
Investments by fair value level:			
Common stocks	\$ 7,770,600	\$ 7,770,600	\$ -
Money market mutual funds	5,825,741	5,825,741	-
Fixed income mutual funds	11,569,352	11,569,352	-
Equity mutual funds	20,011,338	20,011,338	-
Private equity funds	4,548,077	-	4,548,077
Total investments by fair value level	49,725,108	45,177,031	4,548,077
Investments measured at the net asset level (NAV):			
Equity long/short hedge funds	3,866,005		
Multi-strategy hedge funds	2,613,936		
Global opportunities hedge fund	8,008,092		
Other alternative investments	798,312		
Total investments measured at the NAV	15,286,345		
Total investments measured at fair value	\$ 65,011,453		
Other investments not subject to fair value measurement:			
Certificates of deposit	8,912,000		
Total investments measured at fair value	\$ 73,923,453		

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in the active markets for those securities.

Investments measured at the net asset value (NAV) per share are described in the above schedule. A description of how the private equity funds are valued is presented below.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:				
Equity long/short hedge funds	\$ 3,866,005	\$ -	Annually	90 days
Multi-strategy hedge funds	8,008,092	-	Quarterly	65-95 days
Global opportunities hedge fund	2,613,936	-	Daily	Daily
Other alternative investments	798,312	-	Daily	Daily
Total Investments Measured at the NAV	<u>\$ 15,286,345</u>			
Private Equity Funds	<u>\$ 4,548,077</u>			

Equity long/short hedge funds: This type includes one fund of hedge funds that invests both long and short, primarily in global common stocks. Management of each hedge fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Multi-strategy hedge funds: This type invests in several hedge funds that pursue multiple strategies to diversify and reduce volatility. Underlying investments range across credit, fixed income, relative value, and other event driven strategies that are adjusted periodically by the investment managers' perception of the relative investment climate. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Global opportunities hedge: This type includes investments with exposure to a range of trading strategies executed across bond, equity, commodity and foreign exchange futures markets. There is a range of trading strategies employed by managers including trend following, mean reversion, discretionary macro and value. The drivers of returns for these approaches are different from those of equity portfolios and combining these approaches with equities has the potential to create portfolio benefits above those experienced by an equity-only portfolio.

Other alternative investments: This type includes alternative investments such as commodities, gold, and real estate that are held within mutual funds.

Private equity funds: This type includes five private vehicles that invest across a range of non-publicly traded investments including ownership of private companies, debt and special situation investments. Distributions are received from the liquidation of underlying assets of the funds. Underlying assets are expected to be liquidated over three to ten years. It is probable that the assets will be sold at an amount different from the NAV per share (or its equivalent) of the ownership interest in partners' capital. Therefore, the fair values have been determined using recent observable transaction information for similar investments.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 3. Unavailable Revenue/Deferred Inflows of Resources

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

	Deferred Inflows	Unearned Revenue
Delinquent property taxes receivable (general fund)	\$ 228,170	\$ -
Special assessments not yet due (special revenue fund)	234,278	-
Grant receivable	91,156	-
Advance tax collections	5,356,498	-
Sewer usage	52,380	-
Grant drawdowns prior to meeting all eligibility requirements	-	1,154,176
Total	\$ 5,962,482	\$ 1,154,176

Note 4. Interfund Receivables, Payables and Transfers

At June 30, 2016, interfund balances that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,212	\$ -
Capital Improvements Fund	-	61
Nonmajor Governmental Funds	-	1,151
	\$ 1,212	\$ 1,212

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers during the year ended June 30, 2016 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 753,657	\$ 1,185,000
Capital Improvement Fund	153,319	-
Debt Reserve Fund	350,000	-
Nonmajor Governmental Funds	835,000	906,976
	\$ 2,091,976	\$ 2,091,976

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 4. Interfund Receivables, Payables and Transfers (Continued)

Transfers are used to account for: (1) financing by the General Fund of programs accounted for in other funds in accordance with budgetary appropriations; (2) sewer and water assessments and sewer usage charges collected in special revenue funds appropriated to General Fund to offset debt service expenditures; (3) transfer of premiums on bonds issued from the Capital Improvement Fund to the Debt Service Fund to aid in the payment of principle and interest; and (4) the annual transfer of accumulated interest from the General Town Funds Special Revenue Fund to the General Fund.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 21,325,694	\$ -	\$ -	\$ 21,325,694
Construction in progress	41,147,483	18,044,384	53,005,844	6,186,023
Total capital assets, not being depreciated	62,473,177	18,044,384	53,005,844	27,511,717
Capital assets, being depreciated:				
Land improvements	5,089,545	598,242	-	5,687,787
Buildings and improvements	120,943,861	46,323,281	-	167,267,142
Vehicles	10,254,733	739,167	452,294	10,541,606
Machinery and equipment	12,363,865	1,662,321	-	14,026,186
Infrastructure	96,052,898	4,502,923	258,918	100,296,903
Total capital assets being depreciated	244,704,902	53,825,934	711,212	297,819,624
Governmental activities capital assets	307,178,079	71,870,318	53,717,056	325,331,341
Less accumulated depreciation for:				
Land improvements	1,346,123	170,669	-	1,516,792
Buildings and improvements	45,807,777	3,151,195	-	48,958,972
Vehicles	5,895,437	507,492	409,451	5,993,478
Machinery and equipment	6,412,356	948,251	-	7,360,607
Infrastructure	37,161,992	1,569,363	719	38,730,636
Total accumulated depreciation	96,623,685	6,346,970	410,170	102,560,485
Total capital assets, being depreciated, net	148,081,217	47,478,964	301,042	195,259,139
Governmental activities capital assets, net	\$ 210,554,394	\$ 65,523,348	\$ 53,306,886	\$ 222,770,856

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 5. Capital Assets (Continued)

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

Administration and finance	\$ 553,660
Public safety	551,605
Public works	3,092,050
Social services	81,096
Cultural services	106,309
Leisure services	214,701
Education	<u>1,747,549</u>
Total depreciation expense	<u><u>\$ 6,346,970</u></u>

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2016 was as follows:

Changes in Long-Term Obligations

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in Less Than One Year
Bonds/Notes									
Schools:									
School refunding bonds	\$ 14,415,800	11/01/01	08/01/15	4.00-5.00%	\$ 463,900	\$ -	\$ (463,900)	\$ -	\$ -
School bonds	1,410,246	06/15/09*	01/15/29	2.500-4.400%	75,000	-	-	75,000	75,000
School refunding bonds	675,000	06/02/10	08/01/22	3.00-5.00%	422,000	-	(56,000)	366,000	56,000
School refunding bonds	1,085,000	06/02/10	08/01/22	2.00-5.00%	720,000	-	(121,000)	599,000	121,000
School bonds	2,149,000	02/15/11*	07/15/30	2.75-4.25%	1,810,000	-	(1,585,000)	225,000	-
School refunding bonds	1,411,000	06/21/12	08/01/26	0.20-4.00%	1,252,000	-	(68,000)	1,184,000	68,000
School bonds	3,546,803	02/28/13*	07/15/32	3.00-4.00%	3,357,000	-	(187,000)	3,170,000	187,000
School refunding bonds	2,880,000	05/07/14	08/01/21	2.00 - 4.00%	2,813,000	-	(523,000)	2,290,000	586,000
School bonds	2,909,732	02/26/15*	07/15/34	2.00 - 5.00%	2,909,732	-	-	2,909,732	151,732
School refunding bonds	980,000	03/13/15	01/15/29	2.00 - 5.00%	980,000	-	(42,000)	938,000	-
School refunding bonds	1,476,000	3/31/16	7/15/30	2.00 - 4.00%	-	1,476,000	-	1,476,000	58,000
Subtotal					14,802,632	1,476,000	(3,045,900)	13,232,732	1,302,732
Bond premium					1,045,711	123,770	(248,656)	920,825	-
Total schools					15,848,343	1,599,770	(3,294,556)	14,153,557	1,302,732
Sewer: ⁽¹⁾									
Sewer refunding bonds	4,498,100	11/01/01	08/01/15	4.00-5.00%	144,800	-	(144,800)	-	-
WWTP notes	5,086,640	09/28/07	09/28/27	2.00%	3,289,013	-	(250,836)	3,038,177	255,899
WWTP notes	969,061	09/28/07	09/28/27	2.00%	942,453	-	(71,876)	870,577	73,327
Sewer bonds	1,493,268	06/15/09*	01/15/29	2.500-4.400%	80,000	-	-	80,000	80,000
Sewer refunding bonds	1,459,000	06/02/10	08/01/22	3.00-5.00%	933,000	-	(119,000)	814,000	117,000
Sewer bonds	1,809,200	02/15/11*	07/15/30	2.75-4.25%	1,520,000	-	(1,330,000)	190,000	-
Sewer refunding bonds	568,000	06/21/12	08/01/26	0.20-4.00%	470,000	-	(42,000)	428,000	41,000
Sewer bonds	265,000	02/28/13*	07/15/32	3.00-4.00%	252,000	-	(14,000)	238,000	14,000
Sewer refunding bonds	428,000	05/07/14	08/01/21	2.00-4.00%	416,000	-	(94,000)	322,000	107,000
Sewer bonds	46,000	02/26/15*	07/15/34	2.00-5.00%	46,000	-	-	46,000	3,000
Sewer refunding bonds	1,008,000	03/13/15	01/15/29	2.00-5.00%	1,008,000	-	(45,000)	963,000	-
Sewer refunding bonds	1,238,000	3/31/16	7/15/30	2.00 - 4.00%	-	1,238,000	-	1,238,000	47,000
Subtotal					9,101,266	1,238,000	(2,111,512)	8,227,754	738,226
Bond premium					279,068	103,967	(28,675)	354,360	-
Total sewer					9,380,334	1,341,967	(2,140,187)	8,582,114	738,226

(Continued)

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Changes in Long-Term Obligations

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due in Less Than One Year
Bonds/Notes, Continued									
General purpose: ⁽²⁾									
Improvement refunding bonds	11,226,100	11/01/01	08/01/15	4.00-5.00%	\$ 361,300	\$ -	\$ (361,300)	\$ -	\$ -
Improvement bonds	4,326,486	06/15/09*	01/15/29	2.500-4.400%	225,000	-	-	225,000	225,000
Improvement refunding bonds	3,881,000	06/02/10	08/01/22	3.00-5.00%	2,485,000	-	(315,000)	2,170,000	312,000
Improvement refunding bonds	1,560,000	06/02/10	08/01/22	2.00-5.00%	1,035,000	-	(174,000)	861,000	174,000
Improvement bonds	4,716,800	02/15/11*	07/15/30	2.75-4.25%	3,965,000	-	(3,465,000)	500,000	-
Improvement refunding bonds	3,676,000	06/21/12	08/01/26	0.20-4.00%	3,163,000	-	(220,000)	2,943,000	216,000
Improvement bonds	6,688,197	02/28/13*	07/15/32	3.00-4.00%	6,336,000	-	(354,000)	5,982,000	354,000
Improvement refunding bonds	6,252,000	05/07/14	08/01/21	2.00-4.00%	6,081,000	-	(1,333,000)	4,748,000	1,497,000
Improvement bonds	12,044,268	02/26/15*	07/15/34	2.00-5.00%	12,044,268	-	-	12,044,268	635,268
Improvement refunding bonds	2,977,000	03/13/15	01/15/29	2.00-5.00%	2,977,000	-	(128,000)	2,849,000	-
Improvement refunding bonds	3,226,000	3/31/16	7/15/30	2.00 - 4.00%	-	3,226,000	-	3,226,000	125,000
Subtotal					38,672,568	3,226,000	(6,350,300)	35,548,268	3,538,268
Bond premium					2,171,150	267,343	(74,432)	2,364,061	-
Total general purpose					40,843,718	3,493,343	(6,424,732)	37,912,329	3,538,268
Total bonds and notes					66,072,395	6,435,080	(11,859,475)	60,648,000	5,579,226
Net pension liability					29,694,799	11,987,537	(3,871,462)	37,810,874	-
OPEB obligations					8,335,377	2,179,705	(1,408,548)	9,106,534	-
Landfill closure/post closure care costs					504,000	-	(24,000)	480,000	24,000
Compensated absences					2,841,150	280,285	(140,183)	2,981,252	596,250
Heart and hypertension					2,992,573	-	(300,952)	2,691,621	474,782
Capital lease					9,765,000	1,200,000	(88,676)	10,876,324	813,096
Early retirement					353,966	171,452	(302,263)	223,155	90,577
Total general long-term obligations					\$ 120,559,260	\$ 22,254,059	\$ (17,995,559)	\$ 124,817,760	\$ 7,577,931

* Bonds have callable features.

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

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

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

	Bonds		Notes		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2017	\$ 5,250,000	\$ 1,657,998	\$ 329,226	\$ 75,168	\$ 5,579,226	\$ 1,733,166
2018	4,980,000	1,553,119	335,871	68,523	5,315,871	1,621,642
2019	4,925,000	1,389,631	342,650	61,744	5,267,650	1,451,375
2020	4,370,000	1,211,912	349,567	54,827	4,719,567	1,266,739
2021	3,690,000	1,050,919	356,622	47,772	4,046,622	1,098,691
2022	3,690,000	900,444	363,820	40,573	4,053,820	941,017
2023	3,300,000	757,669	371,164	33,230	3,671,164	790,899
2024	2,830,000	629,194	378,656	25,738	3,208,656	654,932
2025	2,815,000	536,994	386,299	18,095	3,201,299	555,089
2026	2,505,000	465,569	394,096	10,298	2,899,096	475,867
2027	2,495,000	396,912	300,783	2,512	2,795,783	399,424
2028	2,205,000	331,350	-	-	2,205,000	331,350
2029	2,195,000	268,425	-	-	2,195,000	268,425
2030	1,805,000	204,987	-	-	1,805,000	204,987
2031	1,795,000	153,287	-	-	1,795,000	153,287
2032	1,340,000	107,400	-	-	1,340,000	107,400
2033	1,340,000	67,200	-	-	1,340,000	67,200
2034	785,000	35,325	-	-	785,000	35,325
2035	785,000	11,775	-	-	785,000	11,775
	<u>\$ 53,100,000</u>	<u>\$ 11,730,110</u>	<u>\$ 3,908,754</u>	<u>\$ 438,480</u>	<u>\$ 57,008,754</u>	<u>\$ 12,168,590</u>

2016 general obligation bond – in-substance defeasance: On March 22, 2016, the Town issued \$5,940,000 of general obligation bonds with interest rates ranging from 2.0% to 4.0% of which was used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the Town dated February 2011 (the Refunding Bonds). Of the net proceeds of \$6,435,080 (after payment of \$116,571 in underwriters fees and other costs), \$6,318,509 was placed in an irrevocable trust fund under an escrow agreement dated March 2016 between the Town and the Escrow Agent. The Escrow Agent received the proceeds on March 31, 2016. The Escrow Agent used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America (Government Obligations). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$380,000, and a savings of approximately \$387,000 between the old debt payments and the new debt payments.

The balance of the defeased bonds was approximately \$11 million at June 30, 2016. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2016 consists of the following:

General purpose	\$ 9,853,048
Schools	3,864,574
Sewers	1,013,788
	<u>\$ 14,731,410</u>

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 188,622,891	\$ 45,401,316	\$ 143,221,575
Unfunded pension benefit obligation	251,497,188	-	251,497,188
Schools	377,245,782	17,006,150	360,239,632
Sewers	314,371,485	9,241,542	305,129,943
Urban renewal	272,455,287	-	272,455,287

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$586,826,772.

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2016 was \$42,496. Additional payments for principal and interest aggregating \$99,291 are to be received through the bonds' maturity dates.

Interim financing: The Town received interim financing from the State of Connecticut of \$24,067,739 for renovations on their wastewater plant. When the project is complete, the short-term interim financing will be restructured into long-term debt.

Landfill closure and post-closure care costs: State and federal laws and regulations required the Town to place a final cover on its 12 and 18 acre landfill sites when it stopped accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. As of June 30, 2016, both landfill sites have been closed.

The projected liability reported at June 30, 2016 is estimated at \$480,000. The monitoring costs are based on what it would cost to perform all post-closure care at 2016 prices with a third party performing all closure work. Actual costs may also change based on inflation, deflation, technology, or changes in the applicable laws and regulations.

The Town has landfill post-closure care costs as follows:

Town Landfill	Year of Closure	Monitoring Costs (Estimate)	Years Remaining	Projected Liability	Short-Term Liability	Long-Term Liability
Southern Section	1985	<u>\$ 24,000</u>	20	<u>\$ 480,000</u>	\$ 24,000	<u>\$ 456,000</u>

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Capital lease obligations: On May 16, 2014, the Town entered into a capital lease for the purchase of energy conservation improvements to various Town and School buildings. The lease has an interest rate of 3.17% and matures on March 15, 2031. Principal and interest payments are made biannually and vary throughout the life of the lease.

On December 18, 2015, the Town entered into a capital lease for the purchase of street lights and poles, and retrofitting the lights with LED energy efficient fixtures. The lease has an interest rate of 1.97% and matures on February 13, 2026. Principal and interest payments are made annually and vary throughout the life of the lease.

Future minimum lease payments and the net present value of these minimum lease payments under these capital leases are as follows:

<u>Fiscal Year</u>	
2017	\$ 813,096
2018	832,817
2019	853,129
2020	874,051
2021	895,601
Thereafter 2022-2031	<u>9,486,858</u>
Total minimum lease payments	13,755,552
Less amount representing interest	<u>(2,879,228)</u>
Present value of minimum lease payments	<u><u>\$ 10,876,324</u></u>

The assets acquired through these capital leases through June 30, 2016 were as follows:

	<u>Amount</u>
Asset Class	
Building and improvements	\$ 9,509,265
Machinery and equipment	115,689
Infrastructure	797,926
Less accumulated depreciation	<u>(671,474)</u>
Net book value	<u><u>\$ 9,751,406</u></u>

Note 7. Employee Retirement Systems

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Plan administration: The Retirement Board (Board) is responsible for the general administration and management of the pension plans. Membership on the Board is composed as follows:

- The regular members of the Board are composed of 5 resident electors of the Town. They are appointed by the Town Council and serve four-year terms.
- Police members are composed of two representatives appointed by the President of the Cheshire Police Department Collective Bargaining Unit. They serve a four-year term and vote only on matters relating exclusively to police officers.
- A Volunteer Fire Department Member is composed of a representative appointed by the Town Council. The representative serves a four-term term and votes only on matters relating exclusively to volunteer fire fighters.

Based on actuarial valuation reports dated July 1, 2014, membership consisted of:

Category	Town	Police	Volunteer Firefighter
Retirees and beneficiaries currently receiving benefits	188	43	18
Terminated employees entitled to benefits, but not yet receiving them	66	1	22
Active plan members	266	42	62
	<u>520</u>	<u>86</u>	<u>102</u>

Town plan: This plan covers all regular full-time employees except teachers covered by the Connecticut Teachers' Retirement System and policemen. Employees are 100% vested after ten years of credited service. They may retire at age 65 after completing five years of credited service or, if earlier, the date upon which their age plus completed years of credited service equals 80. Retirement benefits are based on the plan and benefits elected. The plan was closed to new entrants for various union and nonunion groups between July 1, 2006 and June 30, 2012.

The valuation dated July 1, 2014 reflects changes made to the plan provisions. For Town groups, the employee contribution rate was increased from 3.50% to an ultimate level of 4.00% for Plan A Participants, and from 1.50% to an ultimate level of 2.00% for Plan B Participants. The impact of these changes decreased the FY 2015-2016 Actuarially Determined Contribution by approximately \$35,000. In order to better anticipate future plan experience, the Town changed from a single point retirement assumption to assume that members' retirement rates vary by age and first eligibility for an unreduced pension benefit. The impact of this change decreased the Unfunded Accrued Liability by approximately \$4.25 million and decreased the Actuarially Determined Contribution by approximately \$237,000.

Police plan: This plan covers all regular, full-time police officers except those hired at age 55 and older. Officers are fully vested after completing ten years of credited service. Normal retirement shall be the earlier of 20 years of service or age 55 with 10 years of service. Final average compensation is computed in the same manner as for the Town plan. The plan also provides disability benefits, spousal benefits, and a death benefit equal to the return of employee contributions with interest if the employee has not satisfied the plan's vesting requirements. The plan was closed to new entrants on January 1, 2014.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

The valuation dated 7/1/14 reflects changes made to the plan provisions. The Plan was amended to change the benefit multiplier for officers with at least 25 years of service from 2.50% to 2.625% and to change the maximum benefit from 68% to 72% of Final Average Compensation. The impact of these changes increased the Unfunded Accrued Liability by approximately \$423,000 and increased the Fiscal Year 2015-2016 Actuarially Determined Contribution by approximately \$62,000. In order to better anticipate future plan experience, the Town changed from a single point retirement assumption to retirement rates which assume that members' retirement timing varies by years of service. The impact of this change decreased the Unfunded Accrued Liability by approximately \$474,000 and decreased the Actuarially Determined Contribution by approximately \$36,000.

Volunteer firefighters plan: This plan covers all volunteer firefighters. Firefighters are vested on a percentage basis after five years of credited service. Normal retirement is the participant's 65th birthday. Benefits are calculated based upon a flat rate schedule for years of service. The plan also provides disability benefits by the return of the value of their accrued benefit in a lump sum payment.

The latest valuation reflected no changes in plan provisions.

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

Town	Police	Volunteer Firefighters
Plan A - 3.5% - 4%	8.0%	None
Plan B - 1.5% - 2%	-	-

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

Town	Police	Volunteer Firefighters
-3.29%	-3.39%	0.14%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2016 were as follows:

Net Pension Liability	Town	Police	Volunteer Firefighters
Total pension liability	\$ 55,935,983	\$ 43,270,938	\$ 3,612,259
Fiduciary net position	39,483,663	24,151,028	1,373,615
Net pension liability	16,452,320	19,119,910	2,238,644
Fiduciary net position as a percentage of total pension liability	70.59%	55.81%	38.03%
Covered payroll	13,079,769	3,743,751	N/A
Net pension liability as a percentage of covered payroll	125.78%	510.72%	N/A

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2014, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2016. There have been no significant changes between the valuation date and the fiscal year-end.

Discount rate:

Discount rate	7.50%
Long-term expected rate of return, net of investment expense	7.50%
Municipal bond rate	N/A

Other key actuarial assumptions:

	Town	Police	Volunteer Firefighters
Valuation date	July 1, 2014	July 1, 2014	July 1, 2014
Measurement date	June 30, 2016	June 30, 2016	June 30, 2016
Inflation	2.75%	2.75%	2.75%
Salary increases including inflation	Rates based on age	Rates based on age	N/A
Mortality	RP-2000 mortality table for employees and healthy annuitants, with generational projection per scale AA.	RP-2000 mortality table for employees and healthy annuitants, with generational projection per scale AA.	RP-2000 mortality table with generational projection per scale AA, with blue-collar adjustment for participants only, and separate tables for active members and annuitants.
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the Town will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis: The following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Town			
Total pension liability	\$ 61,533,918	\$ 55,935,983	\$ 51,124,910
Fiduciary net position	39,483,663	39,483,663	39,483,663
Net pension liability	\$ 22,050,255	\$ 16,452,320	\$ 11,641,247
Police			
Total pension liability	\$ 48,954,778	\$ 43,270,938	\$ 38,582,623
Fiduciary net position	24,151,028	24,151,028	24,151,028
Net pension liability	\$ 24,803,750	\$ 19,119,910	\$ 14,431,595
Volunteer Firefighters			
Total pension liability	\$ 4,200,555	\$ 3,612,259	\$ 3,142,597
Fiduciary net position	1,373,615	1,373,615	1,373,615
Net pension liability	\$ 2,826,940	\$ 2,238,644	\$ 1,768,982

For the fiscal year ended June 30, 2016, the recognized pension expense is as follows:

	Town	Police	Volunteer Firefighters
Pension expense	\$ 2,019,424	\$ 2,531,851	\$ 243,260

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement System (Continued)

As of June 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions are reported as follows:

	Deferred Outflows of Resources			
	Town	Police	Volunteer Firefighters	Total
Net difference between projected and actual earnings on pension plan investments	\$ 5,073,226	\$ 3,189,661	\$ 136,605	\$ 8,399,492
Difference between expected and actual experience	-	720,436	-	720,436
Total	\$ 5,073,226	\$ 3,910,097	\$ 136,605	\$ 9,119,928

	Deferred Inflows of Resources			
	Town	Police	Volunteer Firefighters	Total
Differences between expected and actual experience	\$ (672,587)	\$ -	\$ (1,751)	\$ (674,338)
Changes of assumptions	(2,681,145)	(725,194)	-	(3,406,339)
Total	\$ (3,353,732)	\$ (725,194)	\$ (1,751)	\$ (4,080,677)
Net deferred outflows	\$ 1,719,494	\$ 3,184,903	\$ 134,854	\$ 5,039,251

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended June 30,	Town	Police	Volunteer Firefighters	Total
2017	\$ (130,779)	\$ 876,418	\$ 38,596	\$ 784,235
2018	(130,779)	876,418	38,596	784,235
2019	1,088,764	876,417	38,595	2,003,776
2020	892,288	555,880	19,067	1,467,235
2021	-	(230)	-	(230)
Total	\$ 1,719,494	\$ 3,184,903	\$ 134,854	\$ 5,039,251

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Assumed rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2014, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-Term Expected Arithmetic Real Return	Long-Term Expected Geometric Real Return
Cash	0.82%	0.80%
Intermediate - Term Bonds	2.23%	2.12%
Broad U.S. Equities	5.40%	4.06%
Developed Foreign Equities	6.04%	4.35%
Assumed Inflation - Mean	2.75%	2.75%
Assumed Inflation - Standard Deviation	1.89%	1.89%
Portfolio Real Mean Return	4.38%	3.77%
Portfolio Nominal Mean Return	7.13%	6.52%
Portfolio Standard Deviation		10.93%
Long-Term Expected Rate of Return		7.50%

Investments:

Concentrations: Information regarding investment concentration is presented in Note 2.

Investment policy: The Plan's policy in regards to the allocation of invested assets is established and may be amended by the Retirement Board:

Asset Class	Pension Funds Allocation %
Cash	5%
Intermediate - Term Bonds	30%
Broad U.S. Equities	39%
Developed Foreign Equities	26%
Total	100%

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Schedule of Plan Net Position
June 30, 2016

	Pension Trust Funds			OPEB Trust		Total
	Town Pension Fund	Police Pension Fund	Volunteer Firefighters Pension	Police Post-Employment Healthcare Fund	Other Post-Employment Benefit Fund	
Assets						
Cash	\$ 225,804	\$ 486,500	\$ 29,757	\$ 17,265	\$ 40,789	\$ 800,115
	<u>225,804</u>	<u>486,500</u>	<u>29,757</u>	<u>17,265</u>	<u>40,789</u>	<u>800,115</u>
Investments:						
Common stock	4,847,715	2,922,885	-	-	-	7,770,600
Money market mutual funds	3,489,153	2,103,752	153,839	21,933	57,064	5,825,741
Fixed income mutual funds	6,920,443	4,172,616	316,558	45,567	114,168	11,569,352
Equity mutual funds	11,674,974	7,039,316	858,368	123,613	315,067	20,011,338
Private equity funds	2,837,333	1,710,744	-	-	-	4,548,077
Alternative investments	9,517,027	5,738,202	20,561	2,932	7,623	15,286,345
Total investments	<u>39,286,645</u>	<u>23,687,515</u>	<u>1,349,326</u>	<u>194,045</u>	<u>493,922</u>	<u>65,011,453</u>
Total assets	<u>39,512,449</u>	<u>24,174,015</u>	<u>1,379,083</u>	<u>211,310</u>	<u>534,711</u>	<u>65,811,568</u>
Liabilities						
Accounts Payable	28,786	22,986	5,468	2,487	2,235	61,962
Net position - restricted for pension benefits and other post-employment benefits	<u>\$ 39,483,663</u>	<u>\$ 24,151,029</u>	<u>\$ 1,373,615</u>	<u>\$ 208,823</u>	<u>\$ 532,476</u>	<u>\$ 65,749,606</u>

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued
June 30, 2013

Note 7. Employee Retirement Systems (Continued)

Schedule of Changes in Plan Net Position
Year Ended June 30, 2016

	Pension Trust Funds			OPEB Trust		Total
	Town Pension Fund	Police Pension Fund	Volunteer Firefighters Pension	Police Post-Employment Healthcare Fund	Other Post-Employment Benefit Fund	
Additions						
Employer contributions	\$ 1,821,202	\$ 1,152,765	\$ 263,917	\$ 60,720	\$ -	\$ 3,298,604
Employee contributions	326,510	305,085	-	55,784	-	687,379
Total additions	2,147,712	1,457,850	263,917	116,504	-	3,985,983
Investment Income:						
Net depreciation in fair value of investments	(1,786,011)	(1,122,990)	(26,752)	(5,873)	(17,335)	(2,958,961)
Interest and dividends	520,731	321,370	30,830	4,253	11,678	888,862
	(1,265,280)	(801,620)	4,078	(1,620)	(5,657)	(2,070,099)
Less investment expenses:						
Investment management fees	115,055	75,861	2,095	2,412	1,252	196,675
Net investment earnings (loss)	(1,380,335)	(877,481)	1,983	(4,032)	(6,909)	(2,266,774)
Miscellaneous income	-	78,052	-	-	-	78,052
Total additions (losses)	767,377	658,421	265,900	112,472	(6,909)	1,797,261
Deductions						
Benefits	2,521,243	2,347,370	142,785	100,000	-	5,111,398
Contribution refunds	-	-	-	29,689	-	29,689
Administration	53,214	24,944	17,247	14,628	21,554	131,587
Total deductions	2,574,457	2,372,314	160,032	144,317	21,554	5,272,674
Change in net position	(1,807,080)	(1,713,893)	105,868	(31,845)	(28,463)	(3,475,413)
Net Position - Restricted for Pensions and Other Purposes						
Beginning of year	41,290,743	25,864,922	1,267,747	240,668	560,939	69,225,019
End of year	<u>\$ 39,483,663</u>	<u>\$ 24,151,029</u>	<u>\$ 1,373,615</u>	<u>\$ 208,823</u>	<u>\$ 532,476</u>	<u>\$ 65,749,606</u>

Connecticut state teachers' retirement system: Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the System) is a cost sharing multiple employer defined benefit pension system with a special funding situation.

The System is considered 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 at www.ct.gov.

TOWN OF CHESHIRE, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS. Continued June 30, 2013

Note 7. Employee Retirement Plans (Continued)

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

Summary of significant accounting policies: For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,860,000 as payments made by the State of Connecticut on-behalf of the Town. The Town does not have any liability for teacher pensions.

Benefit provisions: The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal retirement: Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contribution requirements: Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts): School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees: Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit. For the 2015/2016 school year, \$3,525,502 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$48,628,000.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Plans (Continued)

Actuarial assumptions: The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 Percent
Salary increases, including inflation	3.75-7.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.50 Percent

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries. The Scale AA projection to 2019 of the RP-2000 mortality rates with two-year setbacks continues to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience. The post-retirement mortality rates are multiplied by 75% for death in active service. The post-retirement mortality rates are set forward ten years for the period after disability retirement.

The long-term expected rate of return on pension investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap U.S. Equities	21%	7.3%
Developed Non-U.S.	18%	7.5%
Emerging Markets (non-U.S.)	9%	8.6%
Core Fixed Income	7%	1.7%
Inflation Linked Bond Fund	3%	1.0%
Emerging Market Bond	5%	4.8%
High Yield Bonds	5%	3.7%
Real Estate	7%	1.3%
Private Equity	11%	0.7%
Alternative Investments	8%	5.9%
Cash	6%	10.9%
Total	<u>100%</u>	

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the State's proportionate share of the net pension liability associated with the Town, calculated using the discount rate of 8.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.50 percent) or 1-percentage-point higher (9.50 percent) than the current rate.

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
Collective Net Pension Liability	\$ 112,846,868	\$ 89,484,226	\$ 69,625,810

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$89,484,226 and 100% of the collective net pension liability is allocated to the State.

June 30, 2014 is the actuarial valuation date upon which the total pension liability is based. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$7,860,000 for the year ended June 30, 2016.

Defined contribution retirement savings plans: Town employees hired after the pension plan was closed to new entrants, between July 1, 2006 and June 30, 2012 depending on the union and nonunion group, are eligible to participate in a 457 defined contribution plan administered by the Town. Board of Education employees similarly participate in a 403(b) defined contribution plan. This plan covers all regular full-time employees except teachers covered by the Connecticut Teachers' Retirement System and police officers. The Plan requires the Town to contribute 6% of each participant's salary, 5% for nonunion and Board of Education union groups and 6% if the employee contributes at least 1%.

Police officers hired on or after January 1, 2014 are required to participate in a 401(a) defined contribution plan. The Plan requires the Town to contribute 6% of an officer's salary. Officers are also required to contribute 6% of their salary.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the Town instituted a policy providing for a portion of health insurance coverage or subsidized coverage to retired employees. Teachers, town employees and police may become eligible for those benefits if they retire under a normal retirement or with disability.

Post-retirement benefits: From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of postemployment healthcare in the year when the employee services are received, discloses the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description: The Town provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through single-employer defined benefit plans. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2013. The post-retirement plans do not issue stand-alone financial reports.

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

Membership in the plans consisted of the following at July 1, 2013.

Category	Town	Police	BOE
Retirees and beneficiaries receiving benefits	18	35	69
Active plan members	113	40	391
Total	131	75	460

The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (A-B)	Funded Ratio (A/B)	Covered Payroll (Total) (C)	UAAL as a Percentage of Payroll ((B-A)/C)
<u>Town</u>						
7/1/2013	\$ 58,513	\$2,259,585	\$2,201,072	2.59%	\$6,816,102	32.29%
<u>Police</u>						
7/1/2013	\$ 724,799	\$8,459,756	\$7,734,957	8.57%	\$2,767,479	279.49%
<u>BOE</u>						
7/1/2013	\$ 452,885	\$17,488,790	\$17,035,905	2.59%	\$28,808,501	59.13%

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Postemployment Benefits (OPEB) (Continued)

The Town funds the OPEB plans on a pay-as-you-go basis.

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

Fiscal Year Ending	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
<u>Town</u>				
6/30/14	\$ 88,297	\$ 179,886	203.7%	\$ (435,390)
6/30/15	94,873	196,227	206.8%	(536,744)
6/30/16	94,993	209,700	220.8%	(651,451)
<u>Police</u>				
6/30/14	\$ 662,540	\$ 62,712	9.5%	\$ 3,631,047
6/30/15	702,329	155,183	22.1%	4,178,193
6/30/16	759,355	404,366	53.3%	4,533,182
<u>BOE</u>				
6/30/14	\$ 1,490,227	\$ 900,595	60.4%	\$ 3,775,185
6/30/15	1,013,309	631,310	62.3%	4,157,184
6/30/16	1,054,874	638,706	60.5%	4,573,352

OPEB obligation (asset):

	Town	Police	BOE
Annual required contribution	\$ 94,993	\$ 732,922	\$ 1,054,874
Interest on net OPEB obligation (asset)	(21,470)	225,622	166,287
Adjustment to annual required contribution	21,470	(199,189)	(166,287)
Annual OPEB cost	94,993	759,355	1,054,874
Contributions made	(209,700)	(404,366)	(638,706)
Increase in net OPEB liability (asset)	(114,707)	354,989	416,168
Net OPEB obligation (asset), beginning of year	(536,744)	4,178,193	4,157,184
Net OPEB obligation (asset), end of year	\$ (651,451)	\$ 4,533,182	\$ 4,573,352

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Postemployment Benefits (OPEB) (Continued)

The information presented was determined as part of the actuarial valuations. Additional information as of the July 1, 2013 valuation follows:

	Town	Police	BOE
Valuation date:	July 1, 2013	July 1, 2013	July 1, 2013
Actuarial cost method:	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Asset valuation method:	Market Value	Market Value	Market Value
Amortization method:	30 Years, Level Dollar, Open	30 Years, Level Dollar, Open	30 Years, Level Dollar, Open
Remaining amortization period	30 Years	30 Years	30 Years
Actuarial assumptions			
Discount rate	4.0%	5.4%	4.0%
Salary increase rate	N/A	N/A	N/A
Inflation rate	2.75%	2.75%	2.75%

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

Medical inflation rate:	
Initial inflation rate	6.80%
Ultimate inflation rate	4.70%
Years until ultimate inflation rate	69

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 9. Fund Balances (Deficits)

The detail of the Town's fund balances are as follows:

	General Fund	Capital Improvements Fund	Debt Reserve Fund	Nonmajor Governmental Funds
Fund Balances				
Non-spendable:				
Prepays	\$ 76,554	\$ -	\$ -	\$ -
Inventory	-	-	-	35,208
Permanent fund principal	-	-	-	78,361
Total non-spendable	76,554	-	-	113,569
Restricted:				
General government activities	-	-	-	14,779
Police operations	-	-	-	340,405
Fire operations	-	-	-	353,605
Sewer and water assessments	-	-	-	62,183
Water pollution control operations	-	-	-	633,991
Social services	-	-	-	42,850
Library operations	-	-	-	152,530
Parks and recreation programs	-	-	-	56,272
School cafeteria operations	-	-	-	140,455
Educational programs	-	60,494	-	909,633
Road, sidewalk and bridge construction and maintenance	-	429,479	-	-
Waste water treatment plant upgrade	-	10,206	-	-
Street light improvements	-	402,135	-	-
Linear trail improvements	-	1,490,181	-	-
Other capital projects	-	131,048	-	-
Debt service	-	-	-	169,825
Total restricted	-	2,523,543	-	2,876,528
Committed:				
Capital projects	-	-	-	1,119,567
Debt service	-	-	6,513,809	-
Pension benefit obligations	100,000	-	-	-
Total committed	100,000	-	6,513,809	1,119,567
Assigned:				
Encumbrances	1,415,031	-	-	13,571
Subsequent year expenditures	724,522	-	-	-
Community pool operations	63,342	-	-	-
Insurance reserves	28,346	-	-	-
Capital outlay	-	-	-	429,469
Total assigned	2,231,241	-	-	443,040
Unassigned	9,397,574	(26,184,451)	-	-
Total fund balance (deficit)	\$ 11,805,369	\$ (23,660,908)	\$ 6,513,809	\$ 4,552,704

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 10. Fund Deficits

The following fund had a fund deficit as of June 30, 2016:

Capital Improvements Fund	\$ 23,660,908
Internal Service Fund:	
Heart and Hypertension	\$ 2,081,503

The Internal Service fund deficit will be repaid with future charges. The Capital Improvements Fund deficit will be repaid with future loan and bond proceeds.

Note 11. Contingencies and Commitments

Construction and other significant commitments have been reported as assigned fund balance in the fund equity section of the balance sheet. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$ 1,415,031
Capital Improvements Fund	5,308,707
Nonmajor governmental funds	443,039
Total	<u>\$ 7,166,777</u>

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

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

Construction commitments: The Town has active construction projects as of June 30, 2016. At year-end, the Town's commitment on uncompleted contracts is approximately \$5,738,000.

Note 12. Risk Management

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 12. Risk Management (Continued)

A third party processes the claims filed under both of the self-insured health plans, for which the General Fund is charged an administrative fee. The General Fund also pays for a stop-loss policy for individual claims exceeding \$150,000 for the self-insured health plan. Incurred but not recorded claims (IBNR) are accrued for in the Health Insurance Fund.

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

Payments to the Health Insurance internal service fund are based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. For the Heart and Hypertension fund, payments to the fund are based upon estimates of claim reserves necessary to pay annual commitments as well as future claims. The claims liability for the Health Insurance Fund and Heart and Hypertension Fund, respectively, reported in the fund at June 30, 2016, is based upon the provisions of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated.

The amount of the claims accrual is based on the estimated ultimate costs of settling the claims, which includes past experience data, inflation and other future economic and societal factors and incremental claims adjustment expenses, net of estimated subrogation recoveries. Liabilities for unpaid claims are based on recommendations from third-party administrators. The claims accrual does not include other allocated or unallocated claims adjustment expenses. Such amounts are included as a component of liabilities in the statement of financial position.

	Health Insurance Fund					
	Claims Payable	Claims and Changes in	Claims	Claims	Due Within	
	July 1	Estimates	Paid	Payable June 30	One Year	
2014-2015	\$ 939,483	\$ 10,127,865	\$ 10,147,854	\$ 919,494	\$ 919,494	
2015-2016	\$ 919,494	\$ 11,076,671	\$ 10,997,068	\$ 999,097	\$ 999,097	

	Heart & Hypertension Fund					
	Claims Payable	Claims and Changes in	Claims	Claims	Due Within	
	July 1	Estimates	Paid	Payable June 30	One Year	
2014-2015	\$ 2,992,573	\$ 330,654	\$ 347,411	\$ 2,975,816	\$ 411,808	
2015-2016	\$ 2,975,816	\$ 81,710	\$ 365,905	\$ 2,691,621	\$ 474,782	

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 12. Risk Management (Continued)

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

Note 13. Project Authorizations

The following is a summary of Capital Improvement Fund projects at June 30, 2016:

	Authorization	Cumulative Expenditures	Unspent Authorizations
Various capital improvements	\$ 99,233,107	\$ 83,079,378	\$ 16,153,729

Note 14. Governmental Accounting Standards Board (GASB) Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 75, which will most likely have a material impact, though the amount has not yet been determined:

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016.
- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
 - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

- GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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**Required Supplementary
Information - *unaudited***

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Town of Cheshire, Connecticut

**Required Supplementary Information - unaudited
Schedule of Investment Returns
Last Three Fiscal Years**

	2016	2015	2014
Annual money-weighted rate of return, net of investment income, for:			
Town	-3.29%	1.35%	13.20%
Police	-3.39%	1.32%	13.15%
Volunteer Firefighters	0.14%	-0.36%	14.68%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Cheshire, Connecticut

Required Supplementary Information - unaudited
 Schedule of Employer Contributions - Pension Trust Funds
 Last Ten Fiscal Years

Schedule of Employer Contributions - Pension Trust Fund

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
<u>Town</u>					
2007	\$ 489,516	\$ 544,025	\$ (54,509)	\$ 10,486,175	5.19%
2008	567,159	567,159	-	11,398,775	4.98%
2009	567,159	567,159	-	11,398,775	4.98%
2010	618,414	618,414	-	13,142,786	4.71%
2011	618,414	618,414	-	13,142,786	4.71%
2012	1,320,263	940,125	380,138	14,467,868	6.50%
2013	1,632,242	1,240,124	392,118	15,046,584	8.24%
2014	2,014,125	1,540,124	474,001	14,629,500	10.53%
2015	2,096,584	1,840,124	474,001	11,411,022	10.53%
2016	1,821,202	1,821,202	-	13,079,769	13.92%
<u>Police</u>					
2007	\$ 151,189	\$ 98,000	\$ 53,189	\$ 3,153,490	3.11%
2008	196,834	196,834	-	3,319,920	3.11%
2009	196,834	196,834	-	3,319,920	5.93%
2010	252,025	252,025	-	3,630,885	6.94%
2011	252,025	252,025	-	3,630,885	6.94%
2012	575,379	402,765	172,614	4,044,453	9.96%
2013	748,172	552,765	195,407	4,206,231	13.14%
2014	1,143,257	702,765	440,492	4,203,371	16.72%
2015	1,205,946	852,765	353,181	4,146,467	20.57%
2016	1,342,563	1,152,765	189,798	3,743,751	30.79%
<u>Volunteer Firefighters</u>					
2007	\$ 23,395	\$ 31,000	\$ (7,605)	N/A	N/A
2008	24,035	24,035	-	N/A	N/A
2009	24,035	24,035	-	N/A	N/A
2010	121,109	121,109	-	N/A	N/A
2011	121,109	121,109	-	N/A	N/A
2012	195,465	155,000	40,465	N/A	N/A
2013	214,537	189,000	25,537	N/A	N/A
2014	249,892	223,000	26,892	N/A	N/A
2015	241,200	241,200	-	N/A	N/A
2016	263,917	263,917	-	N/A	N/A

Town of Cheshire, Connecticut

**Required Supplementary Information - unaudited
Schedule of the Town's Proportionate Share of the Net Pension Liability -
Teachers' Retirement Plan
Last Two Fiscal Years**

<u>Measurement Period</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.000009%	0.000000%
Town's proportionate share of the net pension liability	-	-
State's proportionate share of the net pension liability	89,484,226	82,710,234
Town's covered-employee payroll	33,261,768	32,127,000
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Cheshire, Connecticut

Required Supplementary Information - unaudited
Schedules of Funding Progress and Employer Contributions - OPEB
June 30, 2016

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	AAL (UAAL) as a Percentage of Covered Payroll (D)
Town						
7/1/2009	\$ -	\$ 1,573,885	\$ 1,573,885	0.00%	\$ 7,640,125	20.6%
7/1/2011	-	1,271,338	1,271,338	0.00%	5,886,000	21.6%
7/1/2013	58,513	2,259,585	2,201,072	2.59%	6,816,102	32.3%
Police						
7/1/2009	\$ 854,402	\$ 6,919,837	\$ 6,065,435	12.35%	\$ 3,903,774	155.4%
7/1/2011	1,007,438	6,656,875	5,649,437	15.13%	3,856,000	146.5%
7/1/2013	724,799	8,459,756	7,734,957	8.57%	2,767,479	279.5%
BOE						
7/1/2009	\$ -	\$ 19,171,528	\$ 19,171,528	0.00%	\$ 30,234,970	63.4%
7/1/2011	-	17,942,151	17,942,151	0.00%	28,809,000	62.3%
7/1/2013	452,885	17,488,790	17,035,905	2.59%	28,808,501	59.1%

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
Town			
2009	\$ 104,292	\$ 143,315	137%
2010	104,680	180,541	173%
2011	101,016	155,253	154%
2012	101,307	207,272	205%
2013	81,690	159,957	196%
2014	81,929	179,886	220%
2015	95,518	196,227	205%
2016	94,993	209,700	221%
Police			
2009	\$ 608,827	\$ 56,424	9%
2010	624,753	56,558	9%
2011	725,132	59,346	8%
2012	742,343	62,851	8%
2013	678,813	64,364	9%
2014	697,112	62,712	9%
2015	673,997	155,183	23%
2016	732,922	404,366	55%
BOE			
2009	\$ 1,388,615	\$ 425,935	31%
2010	1,406,178	1,010,013	72%
2011	1,595,494	519,055	33%
2012	1,615,467	1,377,112	85%
2013	1,528,971	900,638	59%
2014	1,549,275	900,595	58%
2015	1,007,717	631,310	63%
2016	1,054,874	638,706	61%

Town of Cheshire, Connecticut

Required Supplementary Information - unaudited
 Schedule of Changes in the Town's Net Pension Liability and Related Ratios (in 1,000's)
 Last Three Fiscal Years

Changes in Net Pension Liability	Town			Police			Volunteer Firefighter		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Total Pension Liability									
Service cost	\$ 1,513	\$ 1,407	\$ 1,237	\$ 744	\$ 692	\$ 689	\$ 30	\$ 27	\$ 29
Interest on total pension liability	3,991	3,780	4,023	3,099	2,987	2,870	257	247	237
Effect of plan changes	-	(9)	-	-	-	1,001	-	-	-
Effect of economic/demographic gains or (losses)	-	(1,284)	-	-	1,063	-	-	(2)	-
Effect of assumption changes or inputs	-	(5,119)	-	-	(1,071)	-	-	-	-
Benefit payments	(2,521)	(2,405)	(2,111)	(2,269)	(2,181)	(1,829)	(143)	(141)	(139)
Net change in total pension liability	2,983	(3,630)	3,149	1,574	1,490	2,731	144	131	127
Total Pension Liability, Beginning	52,953	56,583	53,434	41,697	40,207	37,476	3,468	3,337	3,210
Total pension liability ending (a)	55,936	52,953	56,583	43,271	41,697	40,207	3,612	3,468	3,337
Fiduciary Net Position									
Employer contributions	\$ 1,821	\$ 1,840	\$ 1,540	\$ 1,153	\$ 853	\$ 703	\$ 264	\$ 241	\$ 223
Member contributions	327	341	345	305	307	337	-	-	-
Investment income net of investment expenses	(1,380)	559	4,869	(877)	349	3,173	2	(5)	162
Benefit payments	(2,521)	(2,405)	(2,111)	(2,269)	(2,181)	(1,829)	(143)	(141)	(139)
Administrative expenses	(54)	(65)	(51)	(26)	(47)	(27)	(17)	(23)	(15)
Net change in plan fiduciary net position	(1,807)	270	4,592	(1,714)	(719)	2,357	106	72	231
Fiduciary Net Position, Beginning	41,291	41,021	36,429	25,865	26,584	24,227	1,268	1,195	964
Fiduciary net position, ending (b)	39,484	41,291	41,021	24,151	25,865	26,584	1,374	1,268	1,195
Net pension liability, ending = (a) - (b)	\$ 16,452	\$ 11,662	\$ 15,562	\$ 19,120	\$ 15,832	\$ 13,623	\$ 2,238	\$ 2,200	\$ 2,142
Fiduciary Net Position as a % of Total Pension Liability	70.59%	77.98%	72.50%	55.81%	62.03%	66.12%	38.08%	36.55%	35.81%
Covered Payroll	\$ 13,080	\$ 11,411	\$ 14,630	\$ 3,744	\$ 4,146	\$ 4,203	N/A	N/A	N/A
Net Pension Liability as a % of Covered Payroll	125.78%	102.20%	106.37%	510.72%	381.86%	324.13%	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Cheshire, Connecticut

Required Supplementary Information - unaudited
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis -
 Budget and Actual - General Fund
 For the Year Ended June 30, 2016

	Original	Revised Final	Actual Budgetary Basis	Variance With Final Budget
Revenues				
Property taxes, interest and lien fees	\$ 83,555,162	\$ 83,555,162	\$ 83,973,691	\$ 418,529
Charges for services	2,589,656	2,589,656	2,162,725	(426,931)
Intergovernmental	17,343,426	17,343,426	17,453,541	110,115
Interest and dividend income	152,000	152,000	144,837	(7,163)
Other local income	373,390	373,390	613,912	240,522
Total revenues	104,013,634	104,013,634	104,348,706	335,072
Expenditures				
Current:				
Administration and finance	11,736,553	11,846,653	11,687,048	159,605
Planning and development	533,661	546,961	534,301	12,660
Public safety	6,760,399	6,760,399	6,647,155	113,244
Public works	5,421,244	5,421,244	5,258,116	163,128
Public health	457,468	457,468	451,549	5,919
Social services	840,221	840,221	816,099	24,122
Cultural services	1,910,217	1,911,817	1,892,717	19,100
Leisure services	1,361,927	1,361,927	1,333,408	28,519
Education	68,321,201	68,321,201	68,310,983	10,218
Contingency	125,000	-	-	-
Debt service	6,828,743	6,828,743	6,828,743	-
Total expenditures	104,296,634	104,296,634	103,760,119	536,515
Revenues over (under) expenditures	(283,000)	(283,000)	588,587	871,587
Other Financing Sources (Uses)				
Cancellation of prior year encumbrances	150,000	150,000	124,593	(25,407)
Transfers in	750,000	750,000	753,657	3,657
Transfers out	(1,317,000)	(1,667,000)	(1,402,000)	265,000
Net other financing sources (uses)	(417,000)	(767,000)	(523,750)	243,250
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses before utilization of fund balance	(700,000)	(1,050,000)	64,837	1,114,837
Utilization of Fund Balance	700,000	1,050,000	-	(1,050,000)
Excess of revenues and other financing sources over expenditures and other financing uses after utilization of fund balance	\$ -	\$ -	64,837	\$ 64,837
Budgetary Fund Balance, July 1, 2015			<u>10,479,503</u>	
Budgetary Fund Balance, June 30, 2016			<u>\$ 10,544,340</u>	

Town of Cheshire, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting

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

- A. Each department, office, board or commission of the Town, including the Board of Education, shall submit to the Town Manager a detailed estimate of the expenditures and anticipated revenues by February 15.
- B. On or before March 10, the Town Manager submits a balanced budget and budget message to the Town Council based upon requests submitted by the various Town departments.
- C. By April 7, the Town Council submits the proposed operating budget to one or more public hearings, at which taxpayer comments are obtained. The budget includes proposed expenditures and the means of financing them. By April 17, the Town Council must adopt an operating budget and fix a tax rate in mills and shall file it with the Town Clerk by April 27.
- D. The budget adopted by the Town Council is subject to one referendum by petition of at least 10% of the registered electors. The petition must be filed by May 11, and the Council must hold a referendum no later than June 20.
- E. The legal level of control for the General Fund, the level at which expenditures may not exceed appropriations, is at the department level within a function that includes departments, offices, projects, sub-functions, boards and commissions as prescribed by the Town Charter. The legal level of control is at the fund level for the Water Pollution Control Fund and the Cheshire Community Pool Fund.
- F. Management is not authorized to make budgetary transfers. The Town Council, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another. Additional appropriations up to \$200,000 may be approved by the Council following a public hearing. Those in excess of \$400,000 may be approved for referendum by the Council following a public hearing. There were additional appropriations made during the year of \$350,000 in the General Fund for Debt Reserve Funding.
- G. The Department of Education is not a separate legal entity, but a separate function of the Town. Its Board is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Town Council approval and, if necessary, approval at a public hearing or referendum.
- H. Formal budgetary integration is employed as a management control device during the year.
- I. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except those for the capital projects funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Town of Cheshire, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting (Continued)

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

	Revenues	Expenditures	Net Other Financing Sources/(Uses)	Fund Balance
General Fund, budgetary basis	\$ 104,348,706	\$ 103,760,119	\$ (523,750)	\$ 10,544,340
Accrued payroll	-	137,175	-	(381,126)
Bond refunding issue costs	-	116,571	116,571	-
State Teachers Retirement System on-behalf payments	7,860,000	7,860,000	-	-
Encumbrances:				
June 30, 2015	-	980,854	-	7,707
June 30, 2016	-	(1,406,680)	-	1,406,680
Cancellation of prior year encumbrances	-	-	(124,593)	-
Effect of GASB No. 54	495,500	1,085,639	217,000	227,768
Combined General Fund, GAAP basis	<u>\$ 112,704,206</u>	<u>\$ 112,533,678</u>	<u>\$ (314,772)</u>	<u>\$ 11,805,369</u>

Appendix B

Form of Opinion of Bond Counsel

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FORM OF OPINION OF BOND COUNSEL

February __, 2017

Town of Cheshire,
 Cheshire, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Cheshire, Connecticut (the “Town”), a Tax Regulatory Agreement of the Town, dated February __, 2017 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$17,500,000 Town of Cheshire, Connecticut General Obligation Bonds, Issue of 2017, dated February __, 2017 (the “Bonds”), maturing on July 15 in each of the years, in the principal amounts and bearing interest payable on July 15, 2017 and semiannually thereafter on January 15 and July 15 in each year until maturity or earlier redemption, at the rates per annum as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
2018	\$925,000	%	2028	\$920,000	%
2019	925,000		2029	920,000	
2020	925,000		2030	920,000	
2021	925,000		2031	920,000	
2022	920,000		2032	920,000	
2023	920,000		2033	920,000	
2024	920,000		2034	920,000	
2025	920,000		2035	920,000	
2026	920,000		2036	920,000	
2027	920,000				

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

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

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

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

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

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

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

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

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

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

Very truly yours,

ROBINSON & COLE LLP

Appendix C

Form of Continuing Disclosure Agreement

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FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Town of Cheshire, Connecticut
\$17,500,000 General Obligation Bonds, Issue of 2017
Dated February ___, 2017

February ___, 2017

WHEREAS, the Town of Cheshire, Connecticut (the "Town") has heretofore authorized the issuance of \$17,500,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2017, dated February ___, 2017 (the "Bonds"), and to mature on the dates and in the amounts as set forth in the Town's Official Statement dated February ___, 2017 describing the Bonds (the "Official Statement"); and

WHEREAS, the Bonds have been sold by a competitive bid pursuant to a Notice of Sale, dated February ___, 2017 (the "Notice of Sale"); and

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

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

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

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

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

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

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

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

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

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

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

Section 2. Annual Reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3. Timing. The Town shall provide the financial information and operating data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and operating data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Town shall provide such financial information and operating data no later than eight months

after the close of such preceding Fiscal Year End. The Town agrees that if audited financial statements are not available eight months after the close of any Fiscal Year End, it shall submit unaudited financial statements by such time and will submit audited financial statements information when and if available.

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

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

Section 5. Notice of Failure. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide the annual financial information described in Section 2(a) of this Agreement on or before the date described in Section 3 of this Agreement.

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

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

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

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

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

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

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

TOWN OF CHESHIRE, CONNECTICUT

By: _____
Michael A. Milone
Town Manager

By: _____
James J. Jaskot
Director of Finance & Treasurer

Appendix D

Notice of Sale

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NOTICE OF SALE
\$17,500,000
TOWN OF CHESHIRE, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2017

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

FEBRUARY 22, 2017

for the purchase of all, but not less than all, of the \$17,500,000 Town of Cheshire, Connecticut General Obligation Bonds, Issue of 2017 (the "Bonds"). Electronic bids must be submitted via **PARITY**[®]. (See "Electronic Bidding Procedures").

The Town reserves the right to make changes to the provisions of this Notice of Sale, including the date and time of the sale, prior to the date and time of sale set forth above. Any such changes will be posted through **PARITY**[®]. Prospective bidders are advised to check for such **PARITY**[®] postings prior to the above stated sale time.

The Bonds

The Bonds will be dated March 6, 2017, mature in the principal amounts of \$925,000 on July 15 in each of the years 2018-2021, both inclusive, and \$920,000 on July 15 in each of the years 2022-2036, both inclusive, bear interest payable on July 15, 2017 and semiannually thereafter on January 15 and July 15 in each year until maturity, as further described in the Preliminary Official Statement for the Bonds dated February 14, 2017 (the "Preliminary Official Statement"). The Bonds are subject to redemption prior to maturity.

Nature of Obligation

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

Bank Qualification

The Bonds shall NOT 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.

Registration

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

employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Town or its agent in Federal funds to DTC or its nominee as registered owner of the Bonds. Principal and interest payments to participants of DTC will be the responsibility of DTC. Principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Electronic Bidding Procedures

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

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

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

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

Bid Specifications/Basis of Award

Each bid must be for the entire \$17,500,000 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. Bids shall not state more than one interest rate for any Bonds having the same maturity date. The highest interest rate bid for a maturity and the lowest rate bid for any other maturity may not differ by more than three (3%) percentage points. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest, if any, will be considered.

For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to March 6, 2017, the date of the Bonds, results in an amount equal to the

purchase price for the Bonds. It is requested that each bid be accompanied by a statement of the percentage of true interest cost computed and rounded to six decimal places. Such statement shall not be considered as a part of the proposal. The Bonds will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:00 P.M. (E.S.T.) on February 22, 2017. The purchase price must be paid in Federal funds.

The Town reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any proposal. The Town further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless all bids are rejected or the bid is postponed, the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

Closing Documents and Legal Opinion

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

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

Settlement of the Bonds

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

The Bonds will be available for delivery on or about March 6, 2017. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Town will not be responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. The Town assumes no

responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the winning bidder.

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

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) notice of the occurrence of certain events within 10 business days of the occurrence of such 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.

Related Information

For more information regarding the Bonds and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement may be obtained from the undersigned, or from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone No. (203) 878-4945.

MICHAEL A. MILONE
Town Manager

JAMES J. JASKOT
Treasurer

February 14, 2017