

Final Official Statement Dated February 20, 2019

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. 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

\$14,500,000

General Obligation Bonds, Issue of 2019

BOOK-ENTRY-ONLY

Dated: Date of Delivery

**Due: July 15, 2020-2038
as detailed below:**

The Bonds will bear interest payable on July 15, 2019 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).

| Year | Principal | Coupon | Yield | CUSIP | Year | Principal | Coupon | Yield | CUSIP |
|-------|------------|--------|--------|-----------|-------|------------|--------|--------|-----------|
| 2020 | \$ 760,000 | 5.000% | 1.500% | 165375X27 | 2030* | \$ 765,000 | 3.000% | 2.440% | 165375Y42 |
| 2021 | 760,000 | 5.000% | 1.510% | 165375X35 | 2031* | 765,000 | 3.000% | 2.640% | 165375Y59 |
| 2022 | 760,000 | 5.000% | 1.510% | 165375X43 | 2032* | 765,000 | 3.000% | 2.810% | 165375Y67 |
| 2023 | 760,000 | 5.000% | 1.540% | 165375X50 | 2033* | 765,000 | 3.000% | 2.920% | 165375Y75 |
| 2024 | 760,000 | 5.000% | 1.590% | 165375X68 | 2034 | 765,000 | 3.000% | 3.040% | 165375Y83 |
| 2025 | 760,000 | 5.000% | 1.660% | 165375X76 | 2035 | 765,000 | 3.125% | 3.140% | 165375Y91 |
| 2026 | 760,000 | 5.000% | 1.740% | 165375X84 | 2036 | 770,000 | 3.150% | 3.220% | 165375Z25 |
| 2027* | 760,000 | 4.000% | 1.760% | 165375X92 | 2037 | 770,000 | 3.250% | 3.280% | 165375Z33 |
| 2028* | 760,000 | 3.000% | 2.080% | 165375Y26 | 2038 | 770,000 | 3.375% | 3.375% | 165375Z41 |
| 2029* | 760,000 | 3.000% | 2.230% | 165375Y34 | | | | | |

* Priced assuming redemption on July 15, 2026; however any such redemption is at the option of the Town.

BNYMELLON CAPITAL MARKETS, LLC

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, and Paying 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, 2019.

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 20, 2019 at 11:30 A.M. (E.T.). |
| Location of Sale: | Cheshire Town Hall, 84 South Main Street, Cheshire, Connecticut 06410. |
| Issuer: | Town of Cheshire, Connecticut (the "Town"). |
| Issue: | \$14,500,000 General Obligation Bonds, Issue of 2019 (the "Bonds"). |
| Dated Date: | Date of Delivery. |
| Interest Due: | July 15, 2019 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, 2020 through July 15, 2038, 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, and Paying 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, 2019, against payment in Federal Funds. |
| Issuer Official: | Questions concerning this 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 \$14,500,000 General Obligation Bonds, Issue of 2019 (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, 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 this 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, 2019, 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, 2019 and semiannually thereafter on July 15 and January 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, 2026 are not subject to redemption prior to maturity. The Bonds maturing on July 15, 2027 and thereafter, are subject to redemption prior to maturity, at the election of the Town, on and after July 15, 2026 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the 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, 2026 and thereafter | 100% |

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail 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 | | | |
| 01286 | Technology - Town and School Security Project..... | \$ 338,500 | \$ 300,000 |
| 01222 | Capital Planning..... | 150,000 | 50,000 |
| 01275 | Vehicle / Equipment Replacement Fund..... | 122,000 | 122,000 |
| 01109 | Capital Planning..... | 329,167 | 115,000 |
| 01158 | Underground Storage Tank Removal..... | 50,000 | 50,000 |
| 01279 | Roof Replacement at Library, Fire Headquarters..... | 185,000 | 185,000 |
| 01303 | Boiler Replacement at Fire Headquarters and Annex and Police Station..... | 150,000 | 100,000 |
| 01304 | Parking Lot Repavement at Library..... | 100,000 | 100,000 |
| 01319 | Roof Replacement at Library..... | 225,000 | 225,000 |
| 00713 | Land Acquisition..... | 722,343 | 120,000 |
| 01199 | West Main Street Sidewalk Design and Construction..... | 290,000 | 290,000 |
| 01287 | Parking Area for Linear Trail near West Main Street..... | 400,000 | 350,000 |
| 00903 | Energy Conservation Program..... | 114,855 | 18,000 |
| 01260 | Upgrade and Expansion of Public Safety Radio Communication System..... | 2,336,695 | 1,860,695 |
| 01224 | Firefighting Equipment and Protective Clothing..... | 45,000 | 45,000 |
| 01276 | Firefighting Equipment and Protective Clothing..... | 140,000 | 79,777 |
| 01321 | Replace 1992 Fire Truck Pumping Engine..... | 640,000 | 640,000 |
| 01230 | Dump Trucks and Plows..... | 25,513 | 13,000 |
| 01256 | Sidewalk Program..... | 75,000 | 75,000 |
| 01274 | Road Repavement Program..... | 1,700,000 | 1,700,000 |
| 01288 | Vehicle / Equipment Replacement Fund..... | 385,000 | 385,000 |
| 01295 | Sidewalk Improvement Program..... | 100,000 | 100,000 |
| 01299 | Public Works Dump Truck and Plow..... | 236,000 | 236,000 |
| 01307 | Cuff Brook Culvert Lining at Marion Road Crossing..... | 160,000 | 160,000 |
| 01308 | West Johnson Bridge Repairs Over Ten Mile River..... | 50,000 | 25,000 |
| 01316 | Restroom Upgrades at Quinnipiac, Mixville, Cheshire, Lock 12 and MacNamara Parks..... | 200,000 | 100,000 |
| 01318 | Automated Trash Collection Containers..... | 500,000 | 480,000 |
| 01322 | Road Improvement Program..... | 1,500,000 | 1,500,000 |
| 01202 | Renovation of Senior Center Basement..... | 12,000 | 12,000 |
| 01258 | Library Reconfiguration and RFID Conversion..... | 250,000 | 250,000 |
| 01280 | Restroom Upgrades at Quinnipiac Park and Lock 12..... | 180,000 | 100,000 |
| 01300 | Heat and Power Unit at Community Pool..... | 200,000 | 180,000 |
| 01310 | Development of Chapman Property..... | 50,000 | 50,000 |
| Subtotal General Purpose..... | | 11,962,073 | 10,016,472 |
| School | | | |
| 01117 | Cheshire High School Code Compliance..... | 1,383,000 | 800,000 |
| 01193 | District Wide Roof Repairs and Replacements..... | 236,955 | 225,000 |
| 01196 | District Wide Lavatory Improvements..... | 500,000 | 450,000 |
| 01204 | Window Replacements and Energy Improvements..... | 500,000 | 462,500 |
| 01227 | Replacement of Underground Oil Storage Tanks at Chapman, Doolittle, Darcey, Highland, Dodd Middle, and Humiston School Buildings..... | 590,000 | 350,000 |
| 01234 | Cheshire High School Storage..... | 40,000 | 40,000 |
| 01281 | Paving of Driveways and Parking Lots at Doolittle School..... | 125,000 | 125,000 |
| 01311 | Cafeteria Renovations - Chapman, Cheshire High, Highland, and Norton Schools..... | 127,000 | 127,000 |
| 01312 | Building Management System - Legacy Equipment Replacement.. | 100,000 | 90,000 |
| 01313 | Insulate Tunnel Steam Piping - Cheshire High School..... | 110,000 | 55,000 |
| 01314 | Unit Ventilator Replacements - Cheshire High, Dodd Middle, Doolittle and Norton Schools..... | 110,000 | 99,000 |
| 01315 | School Masonry restoration - District Wide..... | 110,000 | 110,000 |
| 01323 | School Security Improvements - District Wide..... | 1,090,000 | 600,000 |
| Subtotal Schools..... | | 5,021,955 | 3,533,500 |
| Sewer | | | |
| 01150 | Wastewater Treatment Plant Upgrade..... | 175,028 | 175,028 |
| 01175 | Cook Hill Road Pump Station..... | 400,000 | 350,000 |
| 01263 | West Johnson Avenue Pump Station Rehabilitation..... | 550,000 | 150,000 |
| 01317 | Belt Filter Press Refurbishment - Waste Water Treatment Plant.. | 365,000 | 275,000 |
| Subtotal Sewers..... | | 1,490,028 | 950,028 |
| Grand Totals..... | | \$ 18,474,056 | \$ 14,500,000 |

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 Disclosure 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. 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 Bonds have been rated "AAA" from S&P Global Ratings and "AAA" from Fitch Ratings (the "Rating Agencies"). 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.

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 offering prices relating to the yields set forth on the cover page of this Official Statement are expected to be the initial public offering 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 offering prices relating to the yields set forth on the cover page of this Official Statement are expected to be the initial public offering 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, 2018.

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 2018 |
|---|-------------------------------|---------------------------------|---|
| Town Manager | Sean M. Kimball ¹ | Appointed | 8 months |
| Director of Finance/Treasurer | James J. Jaskot ² | Appointed | 20 years |
| Deputy Director of Finance | Gina DeFilio | Appointed | 7 years |
| Personnel Director/Asst. Town Manager for Human Resources .. | Louis A. Zullo | Appointed | 24 years ⁵ |
| Asst. Town Manager for Admin./ Public Information Officer | Arnett T. Talbot ³ | Appointed | 26 years |
| Director of Public Works/Engineering..... | George Noewatne ⁴ | Appointed | 14 years |
| Chief of Police | Neil Dryfe | Appointed | 8 years |
| Fire Chief | Jack Casner | Appointed | 22 years ⁶ |
| Town Planner | William Voelker | Appointed | 13 years |
| Economic Development Coordinator | Gerald L. Sitko | Appointed | 27 years |
| Superintendent of Schools..... | Jeffrey F. Solan | Appointed | 3 years ⁷ |

¹ Mr. Kimball previously served in the roles of Acting Town Manager, Director of Finance/Treasurer, and Deputy Director of Administrative Services in the Town

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.

Key Municipal Officials

Sean M. Kimball, Town Manager: Sean M. Kimball was appointed Town Manager in May 2018. Prior to coming to Cheshire he worked for the Town of Simsbury, Connecticut for 7 years where he served in the roles of Acting Town Manager, Director of Finance/Treasurer and Deputy Director of Administrative Services. Prior to joining the Town of Simsbury, Mr. Kimball served as a Budget Consultant for the City of New Haven's Office of Management and Budget and as a Local Government Management Fellow in the City Manager's Office in San Jose, CA.

Mr. Kimball graduated with a Bachelor's Degree in Political Science from Santa Clara University and a Master's Degree in Public Administration from the University of Connecticut. He currently serves on the executive board of the Connecticut City and Town Management Association (CTCMA) and is a member of the Connecticut Government Finance Officers Association (GFOA CT). Mr. Kimball has also served as a member of the Committee on Taxes and Finance and the Committee on Labor Relations for the Connecticut Conference of Municipalities (CCM).

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 26 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-seven 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 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 four years as Principal of Cheshire High School. He was appointed Superintendent of Schools in July, 2016. He has over 14 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 utility 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 one 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, school-age, 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, and basketball; 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, and a community garden; and Quinnipiac Park with an 80 by 180 foot rollerblading rink and seven soccer fields.

Public Works

The Public Works Department is made up of 44 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 improves 7.5 miles of roadway. In addition to milling and paving operations, the Town performs pavement preservation measures such as crack seal, chip seal, micro seal and cape seal on a number of roads each year to extend the usefulness of the road network.

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 previously consisted 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 provides library materials, services and programs for all ages. The Library houses a collection of over 106,000 print and audiovisual materials along with over 60 databases and electronic collections. In 2018 there were 125,913 visits to the Library and staff responded to more than 27,000 requests for information. Free Wi-Fi and 18 internet accessible computers are available for public use. There are four study rooms that may be reserved by individuals or small groups.

The Library provides educational and cultural programs including early-literacy classes for preschoolers, teen programs, adult lectures, concerts and art exhibits. The Library also collaborates with the Cheshire Performing and Fine Arts Committee, which provides art and theatre programs 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 permits for mechanical, electrical, and demolition and is responsible for the inspection and approval of all permitted construction in the Town of Cheshire in accordance with the Connecticut State Building Code. The Department is staffed by a Building Official, two Assistant Building Officials, and a Clerk..

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. Since then, the Commission is considering amendments to the POCD and the Cheshire Zoning Regulations to facilitate additional commercial growth within the Highland Avenue corridor. 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, a part time Zoning Enforcement Officer, and administrative support staff.

Economic Development

The Economic Development Commission (“EDC”), a seven-member body appointed by the 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 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.

Over the last fiscal year, development in the Cheshire real estate market continued to be diversified and significant. VR Osteria was approved for a 4,100 square foot addition at 1721 Highland Avenue. Cheshire Medical Associates began work on a 50,500 square foot medical office building at 266 and 292 South Main Street. James A. Fazzone, LLC was approved for a 55,000 square foot self-storage facility at 1670 Reinhard Road. Marbridge Assisted

Living started construction on a 46,000 square foot expansion at 665 West Main Street and Chase Bank was approved for a 2,800 square foot branch at 944 South Main Street.

Acquisition activity included the purchase of 30,000 square foot buildings at 30 Fieldstone Court by Target Sports and at 210 Realty Drive by Dalton Enterprises. In addition, Sky Management Services acquired four “flex” space buildings totaling 215,000 square feet at 611-617 West Johnson Avenue and High Voltage Maintenance purchased a 7,100 square foot building at 29 Diana Court. Also, Accel Industrial purchased 170,000 square feet at 350 Knotter Drive (former Alexion site).

Leasing activity during fiscal year 2018 included a lease extension by Creative Dimensions for 75,000 square feet at 345 McCausland Court. Perfectly Prepared leased 7,580 square feet at 1410 Highland Avenue. Tri-State Fund and Ion Insurance signed leases of 12,000 square feet and 9,000 square feet at 609 West Johnson Avenue and 1154 Highland Avenue, respectively. Pho & Spice leased 2,200 square feet at 15 South Main Street and Yougu Hibachi took 4,200 square feet at 195 Highland Avenue.

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, studio and retail space, and a theatre.

In addition, the following projects are also on the horizon: J & H Enterprises- 7,350 square foot motor vehicle repair facility at 1322 Waterbury Road; Ricci Construction Group- 3,450 square foot medical office building at 1008 South Main Street; and Climate Engineering- 32,500 square foot maintenance and warehouse facility at 551 West Johnson Avenue.

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 average.

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 2,490,000 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

| | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|--------------------------|------------|------------|------------|------------|------------|
| General Government | 207 | 206 | 209 | 211 | 211 |
| Board of Education | 643 | 631 | 630 | 631 | 633 |
| Total | 850 | 837 | 839 | 842 | 844 |

¹ Full-time equivalent

Source: 2019 Adopted Budget.

Employees Bargaining Organizations

| Employee Group | Bargaining Organization | Number of Employees ¹ | Contract Expiration Date |
|--|--|-------------------------------------|-----------------------------|
| <u>General Government</u> | | | |
| Police | Cheshire Police Union | 42 | 6/30/2020 |
| Public Works | Local 1303-202 of AFSCME, Council 4 | 28 | 6/30/2020 |
| Dispatchers | UPSEU Local 424, Unit 101 | 6 | 6/30/2020 |
| Town Hall Employees | Local 1303-374 of AFSCME, Council 4 | 41 | 6/30/2020 |
| Library | Local 1303-431 of AFSCME, Council 4 | 17 | 6/30/2020 |
| Total | | 134 | |
| <u>Board of Education</u> | | | |
| Administrators | Cheshire Administrative Personnel | 18 | 6/30/2021 |
| Teachers | Educational Association of Cheshire | 388 | 6/30/2021 |
| Clerical | Cheshire Educational Secretaries and Technicians United | 50 | 6/30/2019 |
| 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 | 204 | 6/30/2019 |
| Total | | 684 | |

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

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

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. For binding arbitration not involving teachers there is a presumption that 15% of the budget reserve is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

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, submission of budget requests, 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, 2018 was 4,271. The rated capacity of the system facilities is 5,168.

School Facilities

| Facility | Grades | Date of Construction | Most Recent | Number of Classrooms | Enrollment 10/1/2018 | Rated Capacity ² |
|--|------------|----------------------|--------------------------------------|----------------------|----------------------|-----------------------------|
| | | | Additions & Renovations ¹ | | | |
| Chapman School..... | K-6 | 1949 | 1981 | 19 | 312 | 380 |
| Doolittle School..... | 1-6 | 1962 | 2018 | 30 | 444 | 600 |
| Highland School..... | K-6 | 1971 | 1979 | 43 | 743 | 860 |
| Norton School..... | K-6 | 1955 | 1996 | 24 | 426 | 480 |
| Dodd Middle..... | 7-8 | 1958 | 2004 | 32 | 682 | 820 |
| Cheshire High..... | 9-12 | 1952 | 2000 | 71 | 1,469 | 1,575 |
| Humiston School ³ | Sp.Ed. | 1912 | 1971 | 6 | 17 | 29 |
| Darcey School ⁴ | Pre-School | 1947 | 1985 | 4 | 100 | 100 |
| Darcey Kindergarten ⁴ | K | 1990 | 1990 | 9 | 78 | 324 |
| Total | | | | 238 | 4,271 | 5,168 |

¹ Other additions and renovations to school buildings include: Chapman School 1954, 1962; Doolittle 1981, 1994, 2018; 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 | | | | | |
| 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 |
| 2017 | 97 | 1,969 | 783 | 1,435 | 4,284 |
| 2018 | 100 | 2,003 | 682 | 1,486 | 4,271 |
| Projected ² | | | | | |
| 2019 | 101 | 2,026 | 649 | 1,459 | 4,235 |
| 2020 | 102 | 2,043 | 645 | 1,413 | 4,203 |
| 2021 | 103 | 2,124 | 618 | 1,368 | 4,213 |

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 |
| 2017 ² | 29,274 | 0.04% | 887.1 |
| 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, 2013-2017.

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..... | 1,071 | 3.7% | 186,188 | 5.2% |
| 5 to 9 years..... | 1,367 | 4.7 | 206,536 | 5.7 |
| 10 to 14 years..... | 1,843 | 6.3 | 225,831 | 6.3 |
| 15 to 19 years..... | 2,053 | 7.0 | 249,777 | 6.9 |
| 20 to 24 years..... | 1,664 | 5.7 | 245,849 | 6.8 |
| 25 to 34 years..... | 2,619 | 8.9 | 439,239 | 12.2 |
| 35 to 44 years..... | 3,534 | 12.1 | 433,401 | 12.1 |
| 45 to 54 years..... | 5,306 | 18.1 | 535,611 | 14.9 |
| 55 to 59 years..... | 2,410 | 8.2 | 266,501 | 7.4 |
| 60 to 64 years..... | 2,332 | 8.0 | 229,788 | 6.4 |
| 65 to 74 years..... | 2,872 | 9.8 | 318,515 | 8.9 |
| 75 to 84 years..... | 1,417 | 4.8 | 167,133 | 4.6 |
| 85 years and over..... | 786 | 2.7 | 90,109 | 2.5 |
| Total..... | 29,274 | 100.0% | 3,594,478 | 100.0% |

Source: American Community Survey, 2013-2017.

Income Distribution

| | Town of Cheshire | | State of Connecticut | |
|-----------------------------|------------------|---------------|----------------------|---------------|
| | Families | Percent | Families | Percent |
| Less than \$10,000..... | - | 0.0% | 27,787 | 3.1% |
| \$10,000 to \$14,999..... | 33 | 0.4 | 16,143 | 1.8 |
| \$15,000 to \$24,999..... | 90 | 1.2 | 41,072 | 4.6 |
| \$25,000 to \$34,999..... | 206 | 2.7 | 52,218 | 5.8 |
| \$35,000 to \$49,999..... | 262 | 3.4 | 82,371 | 9.2 |
| \$50,000 to \$74,999..... | 1,088 | 14.1 | 134,356 | 15.0 |
| \$75,000 to \$99,999..... | 1,015 | 13.2 | 122,244 | 13.6 |
| \$100,000 to \$149,999..... | 1,964 | 25.5 | 186,352 | 20.8 |
| \$150,000 to \$199,999..... | 1,455 | 18.9 | 100,359 | 11.2 |
| \$200,000 or more..... | 1,599 | 20.7 | 132,765 | 14.8 |
| Total..... | 7,712 | 100.0% | 895,667 | 100.0% |

Source: American Community Survey, 2013-2017.

Income Levels

| | Town of Cheshire | State of Connecticut |
|---|-----------------------------|---------------------------------|
| Per Capita Income, 2017..... | \$ 47,013 | \$ 41,365 |
| Per Capita Income, 2010..... | \$ 40,498 | \$ 35,078 |
| Median Family Income, 2017..... | \$ 127,143 | \$ 93,800 |
| Percent Below Poverty (Families), 2017..... | 0.4% | 7.0% |

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

Source: American Community Survey, 2013-2017.

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

| | Town of Cheshire | | State of Connecticut | |
|--------------------------------------|-------------------------|-------------------|-----------------------------|-------------------|
| | Number | Percentage | Number | Percentage |
| Less than 9th grade..... | 409 | 1.9% | 104,623 | 4.2% |
| Grades 9-12 – no diploma..... | 577 | 2.7 | 137,877 | 5.6 |
| High School graduate..... | 4,414 | 20.7 | 673,582 | 27.2 |
| Some College - no degree..... | 2,911 | 13.7 | 422,535 | 17.0 |
| Associate Degree..... | 1,606 | 7.5 | 188,481 | 7.6 |
| Bachelors Degree..... | 6,025 | 28.3 | 532,055 | 21.5 |
| Graduate or Professional Degree..... | 5,334 | 25.1 | 421,144 | 17.0 |
| Totals..... | 21,276 | 100.0% | 2,480,297 | 100.0% |

Percent High School Graduate or Higher 95.4% 90.2%

Percent Bachelor Degree or Higher 53.4% 38.4%

Source: American Community Survey, 2013-2017.

Employment Data

| | Town of Cheshire | | Percentage Unemployed | | |
|-----------------------|-------------------------|-------------------|------------------------------|-----------------------------------|---------------------------------|
| | Employed | Unemployed | Town of Cheshire | New Haven Labor Market | State of Connecticut |
| November 2018..... | 15,659 | 393 | 2.4 | 3.0 | 3.0 |
| Annual Average | | | | | |
| 2017..... | 15,204 | 511 | 3.3 | 4.7 | 4.7 |
| 2016..... | 14,931 | 560 | 3.6 | 5.3 | 5.3 |
| 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 |

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 | 98 | 0.7% | 7,166 | 0.4% |
| Construction | 565 | 3.8 | 104,122 | 5.8 |
| Manufacturing | 1,613 | 10.8 | 191,519 | 10.6 |
| Wholesale trade | 525 | 3.5 | 44,741 | 2.5 |
| Retail trade | 1,421 | 9.5 | 193,016 | 10.7 |
| Transportation and warehousing, and utilities | 377 | 2.5 | 68,926 | 3.8 |
| Information | 463 | 3.1 | 42,200 | 2.3 |
| Finance, insurance, real estate, rental & leasing | 1,417 | 9.5 | 163,810 | 9.1 |
| Professional, scientific, management, administrative, and waste mgmt services | 1,512 | 10.1 | 208,130 | 11.5 |
| Education, health and social services | 4,976 | 33.4 | 478,083 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services | 853 | 5.7 | 153,679 | 8.5 |
| Other services (except public administration) | 540 | 3.6 | 82,538 | 4.6 |
| Public Administration | 552 | 3.7 | 67,156 | 3.7 |
| Total Labor Force, Employed | 14,912 | 100.0% | 1,805,086 | 100.0% |

Source: American Community Survey, 2013-2017.

Major Employers As of February 2019

| Employer | Nature of Business | Number of Full-Time Employees |
|-----------------------------|-----------------------------|--|
| Bozzuto's Inc. | Wholesale Food Distribution | 1,153 |
| Town of Cheshire..... | Municipality | 863 |
| State of Connecticut..... | Correctional Facilities | 766 |
| Macy's Logistics..... | Distribution | 485 |
| UTC Aerospace..... | Manufacturing | 288 |
| EDAC..... | Manufacturing | 254 |
| Whole Foods..... | Distribution | 232 |
| Elim Park..... | Retirement Community | 232 |
| Housing Authority Insurance | Insurance | 146 |
| Omnicare..... | Pharmaceutical Services | 120 |

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 |
| 2018 | 32 | \$ 6,879 | 3 | \$ 4,799 | 1,668 | \$ 28,782 | 1,703 | \$ 40,460 |
| 2017 | 25 | 5,276 | 3 | 3,297 | 1,833 | 21,597 | 1,861 | 30,170 |
| 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 |

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..... | 8,512 | 77.4% | 892,621 | 59.2% |
| 1-unit, attached..... | 649 | 5.9 | 81,393 | 5.4 |
| 2 units..... | 232 | 2.1 | 123,040 | 8.2 |
| 3 or 4 units..... | 433 | 3.9 | 130,914 | 8.7 |
| 5 to 9 units..... | 598 | 5.4 | 82,787 | 5.5 |
| 10 to 19 units..... | 151 | 1.4 | 56,540 | 3.8 |
| 20 or more units..... | 418 | 3.8 | 128,477 | 8.5 |
| Mobile home..... | 10 | 0.1 | 11,564 | 0.8 |
| Boat, RV, van, etc..... | - | - | 375 | 0.0 |
| Total Inventory..... | 11,003 | 100.0% | 1,507,711 | 100.0% |

Source: American Community Survey, 2013-2017.

Owner Occupied Housing Units

| Specified Owner-Occupied Units | Town of Cheshire | | State of Connecticut | |
|--------------------------------|-------------------|---------------|----------------------|---------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 151 | 1.7% | 24,038 | 2.7% |
| \$50,000 to \$99,999..... | 108 | 1.2 | 29,789 | 3.3 |
| \$100,000 to \$149,999..... | 232 | 2.6 | 83,320 | 9.2 |
| \$150,000 to \$199,999..... | 504 | 5.7 | 141,024 | 15.6 |
| \$200,000 to \$299,999..... | 2,679 | 30.2 | 244,356 | 26.9 |
| \$300,000 to \$499,999..... | 4,190 | 47.2 | 236,671 | 26.1 |
| \$500,000 to \$999,999..... | 960 | 10.8 | 106,192 | 11.7 |
| \$1,000,000 or more..... | 49 | 0.6 | 41,408 | 4.6 |
| Total..... | 8,873 | 100.0% | 906,798 | 100.0% |
| Median Sales Price..... | \$ 329,000 | | \$ 270,100 | |

Source: American Community Survey, 2013-2017.

Age Distribution of Housing

| Year Built | Town of Cheshire | | State of Connecticut | |
|---------------------------------|-------------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 2010 or Later | 96 | 0.9% | 22,675 | 1.5% |
| 2000 to 2009 | 642 | 5.8 | 105,131 | 7.0 |
| 1990 to 1999 | 1,031 | 9.4 | 114,261 | 7.6 |
| 1980 to 1989 | 1,820 | 16.5 | 191,939 | 12.7 |
| 1970 to 1979 | 1,512 | 13.7 | 200,217 | 13.3 |
| 1940 to 1969 | 4,924 | 44.8 | 535,477 | 35.5 |
| 1939 or earlier | 978 | 8.9 | 338,011 | 22.4 |
| Total Housing Units..... | 11,003 | 100.0% | 1,507,711 | 100.0% |
| Percent Owner Occupied..... | 86.9% | | 66.6% | |

Source: American Community Survey, 2013-2017.

Breakdown of Land Use

| Land Use Category | Total Area | | Residential | | Commercial | | Industrial | |
|--------------------------|-------------------|----------------|--------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Acres | Percent | Acres | Percent | Acres | Percent | Acres | Percent |
| Developed | 8,501.00 | 40.2% | 6,694.00 | 36.6% | 141.00 | 71.9% | 1,666.00 | 62.6% |
| Undeveloped | 12,627.00 | 59.8 | 11,578.00 | 63.4 | 55.00 | 28.1 | 994.00 | 37.4 |
| Total..... | 21,128.00 | 100.0% | 18,272.00 | 100.0% | 196.00 | 100.0% | 2,660.00 | 100.0% |

Source: Town Planner, Town of Cheshire, 2018.

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IV. Tax Base Data

Property Tax Assessment

The Assessor's Office is responsible for the revaluation of real property. The Town had a general property revaluation effective October 1, 2018. Under Connecticut General Statutes Section 12-62, the Town must next undergo a full physical revaluation effective October 1, 2023 and every fifth year thereafter. 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.

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2016, and 45.00 mills for the assessment year commencing October 1, 2017, and each assessment year thereafter. Section 4-66l of the General Statutes, as amended, 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 2017 assessment year (the fiscal year ending June 30, 2019) is 32.62 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 Grand List (000's) | Mill Rate | Adjusted Annual Levy | Percent of Annual Levy Collected at End of Fiscal Year | Uncollected | |
|--------------------------|---------------------------------|--------------------------------------|--------------|-------------------------|---|---|--|
| | | | | | | Percent of Annual Levy Uncollected at End of Fiscal Year | Percent of Annual Levy Uncollected as of 6/30/18 |
| 2017 | 2019 ² | \$ 2,778,822 | 32.62 | \$ 91,049,638 | | IN COLLECTION | |
| 2016 | 2018 | 2,763,741 | 31.94 | 88,471,517 | 99.78 | 0.22 | 0.22 |
| 2015 | 2017 | 2,750,532 | 31.19 | 86,120,878 | 99.78 | 0.22 | 0.05 |
| 2014 | 2016 | 2,726,750 | 30.69 | 83,710,090 | 99.78 | 0.22 | 0.03 |
| 2013 ¹ | 2015 | 2,698,370 | 30.25 | 81,616,162 | 99.79 | 0.21 | 0.02 |
| 2012 | 2014 | 2,881,585 | 27.60 | 79,373,263 | 99.78 | 0.22 | 0.01 |
| 2011 | 2013 | 2,863,685 | 27.23 | 77,777,955 | 99.71 | 0.29 | 0.01 |
| 2010 | 2012 | 2,840,888 | 26.85 | 75,961,009 | 99.76 | 0.24 | 0.01 |
| 2009 | 2011 | 2,826,223 | 26.50 | 74,558,659 | 99.60 | 0.40 | 0.01 |
| 2008 ¹ | 2010 | 2,816,401 | 26.05 | 73,095,410 | 99.66 | 0.34 | 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 |
|------------------------------------|----------------------------|---|
| 2018 | \$313,357 | \$192,246 |
| 2017 | 275,303 | 192,237 |
| 2016 | 250,115 | 186,611 |
| 2015 | 224,596 | 169,453 |
| 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 |

Source: Collector of Revenue, Town of Cheshire.

Principal Taxpayers

| Taxpayer | Nature of Business | Assessment | Percent of Net Taxable Grand List ^{1,2} |
|---|-----------------------------|-----------------------|--|
| Connecticut Light & Power (Eversource) .. | Utility | \$ 43,751,310 | 1.56% |
| Industrial Ave LLC | Wholesale Food Distribution | 39,620,260 | 1.41 |
| Bozzutos Inc. | Wholesale Food Distribution | 35,798,800 | 1.28 |
| Macy's Corporate Services Inc..... | Warehouse/Distribution | 18,841,450 | 0.67 |
| Yankee Gas Service SVC..... | Utility | 15,619,010 | 0.56 |
| CT Indy CH LLC..... | Office/Research/Development | 14,829,890 | 0.53 |
| EDAC Technologies Corp..... | Warehouse/Manufacturing | 10,009,500 | 0.36 |
| WFM Properties Cheshire LLC..... | Wholesale Food Distribution | 8,608,120 | 0.31 |
| Cheshire ILMR LLC | Real Estate | 7,825,630 | 0.28 |
| Montowese Industrial Park Inc | Real Estate | 7,046,630 | 0.25 |
| Total | | \$ 201,950,600 | 7.21% |

¹ Based on a Net Taxable Grand List for October 1, 2018 of \$2,801,801,050.

² Before Board of Assessment Appeals.

Source: Tax Assessor, Town of Cheshire.

Comparative Assessed Valuations of Taxable Property

| Grand List as of 10/1 ¹ | Comercial and | | | | | Gross Taxable Grand List (000's) | Less Exemptions (000's) | Net Taxable Grand List (000's) | Percent Change |
|---------------------------------------|------------------------------|-----------------------------|------------------------|----------------------|------------------|--|-------------------------------|--------------------------------------|-------------------|
| | Residential Real Property | Industrial Real Property | Other Real Property | Personal Property | Motor Vehicle | | | | |
| 2018 ² | 71.5 | 13.8 | 0.8 | 5.5 | 8.4 | \$ 2,877,728 | \$ 75,927 | \$ 2,801,801 | 0.8% |
| 2017 | 72.2 | 13.3 | 0.7 | 5.3 | 8.5 | 2,861,827 | 83,005 | 2,778,822 | 0.0 |
| 2016 | 70.7 | 13.3 | 0.7 | 6.5 | 8.8 | 2,836,633 | 72,892 | 2,763,741 | 0.0 |
| 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 |

¹ After Board of Assessment Appeals, except October 1, 2018.

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.

| Public | Assessed Value |
|---|-----------------------|
| U.S. Government | \$ - |
| State of Connecticut ¹ | 165,293,510 |
| Town of Cheshire | 116,243,220 |
| South Central Connecticut Regional Water Authority ¹ | 19,483,281 |
| City of Meriden | 1,898,610 |
| Sub-Total Public | 302,918,621 |
| Private | |
| Volunteer Fire | 472,400 |
| Scientific | 4,983,020 |
| Educational | 19,413,780 |
| Historical | 247,670 |
| Charitable | 3,686,330 |
| Cemeteries | 1,132,320 |
| Churches | 26,914,240 |
| Hospitals and Sanitariums | 47,383,910 |
| Private College | 14,827,550 |
| Sub-Total Private | 119,061,220 |
| Total Exempt | \$ 421,979,841 |
| Percent Compared to Net Taxable Grand List ^{2,3} | 15.06% |

¹ The Town has received a pilot payment from the State of Connecticut of \$1,317,410.00 and \$100,980.00 for Colleges & Hospitals (both prorated due to legislation) for fiscal year 2018-19 for this tax exempt property. Also, the Town has received \$629,496 from the South Central Connecticut Regional Water Authority.

² Based on a Net Taxable Grand List for October 1, 2018 of \$2,801,801,050.

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, 2019
(Pro Forma)

| Date of Issue | Date of Maturity | Rate | Purpose | Original Issue Amount | Balance Outstanding ⁴ |
|---|-------------------------|-------------|---|------------------------------|---|
| General Purpose | | | | | |
| 06/15/10 | 08/01/22 | 3.00-5.00 | Refunding Bonds - Series A | \$ 3,881,000 | \$ 1,234,000 |
| 06/15/10 | 08/01/20 | 2.00-5.00 | Refunding Bonds - Series B | 1,560,000 | 342,000 |
| 07/16/12 | 08/01/26 | 0.20 - 4.00 | General Purpose Refunding Bonds | 3,676,000 | 2,298,000 |
| 02/28/13 | 07/15/32 | 3.00 - 4.00 | General Purpose Bonds | 6,688,197 | 4,920,000 |
| 05/07/14 | 08/01/21 | 2.00-5.00 | General Purpose Refunding Bonds | 6,252,000 | 1,191,000 |
| 02/26/15 | 07/15/34 | 2.00-5.00 | General Purpose Bonds | 12,044,268 | 10,141,000 |
| 03/13/15 | 01/15/29 | 2.00-5.00 | General Purpose Refunding Bonds | 2,977,000 | 2,387,000 |
| 03/31/16 | 07/15/30 | 2.00-4.00 | General Purpose Refunding Bonds | 3,226,000 | 3,101,000 |
| 03/06/17 | 07/15/36 | 2.00-5.00 | General Purpose Bonds | 12,015,000 | 11,382,000 |
| Sub-total General Purpose | | | | \$ 52,319,465 | \$ 36,996,000 |
| Schools ¹ | | | | | |
| 06/15/10 | 08/01/22 | 3.00 - 5.00 | Refunding Bonds – Series A | 675,000 | 203,000 |
| 06/15/10 | 08/01/20 | 2.00 - 5.00 | Refunding Bonds – Series B | 1,085,000 | 238,000 |
| 07/16/12 | 08/01/26 | 0.20 - 4.00 | School Refunding Bonds | 1,411,000 | 982,000 |
| 02/28/13 | 07/15/32 | 3.00 - 4.00 | School Bonds | 3,546,803 | 2,609,000 |
| 05/07/14 | 08/01/21 | 2.00-5.00 | School Refunding Bonds | 2,880,000 | 625,000 |
| 02/26/15 | 07/15/34 | 2.00-5.00 | School Bonds | 2,909,732 | 2,452,000 |
| 03/13/15 | 01/15/29 | 2.00-5.00 | School Refunding Bonds | 980,000 | 784,000 |
| 03/31/16 | 07/15/30 | 2.00-4.00 | School Refunding Bonds | 1,476,000 | 1,418,000 |
| 03/06/17 | 07/15/36 | 2.00-5.00 | School Bonds | 2,985,000 | 2,827,000 |
| Sub-total Schools | | | | \$ 17,948,535 | \$ 12,138,000 |
| Sewers ² | | | | | |
| 09/30/07 | 03/31/27 | 2.00 | CWF 481-C / WWT Plant ^{3, 5} | 5,226,439 | 2,344,250 |
| 09/30/07 | 03/31/27 | 2.00 | CWF 112-CSL / WWT Plant ^{3, 5} | 1,497,614 | 671,735 |
| 06/15/10 | 08/01/22 | 3.00 - 5.00 | Refunding Bonds – Series A | 1,459,000 | 463,000 |
| 07/16/12 | 08/01/26 | 0.20 - 4.00 | Sewer Refunding Bonds | 568,000 | 305,000 |
| 02/28/13 | 07/15/32 | 3.00 - 4.00 | Sewer Bonds | 265,000 | 196,000 |
| 05/07/14 | 08/01/21 | 2.00-5.00 | Sewer Refunding Bonds | 428,000 | 29,000 |
| 02/26/15 | 07/15/34 | 2.00-5.00 | Sewer Bonds | 46,000 | 37,000 |
| 03/13/15 | 01/15/29 | 2.00-5.00 | Sewer Refunding Bonds | 1,008,000 | 799,000 |
| 03/31/16 | 07/15/30 | 2.00-4.00 | Sewer Refunding Bonds | 1,238,000 | 1,191,000 |
| 03/06/17 | 07/15/36 | 2.00-5.00 | Sewer Bonds | 2,500,000 | 2,366,000 |
| 07/01/17 | 07/01/37 | 2.00 | CWF 618-DC / WWT Plant ^{3, 5} | 24,428,785 | 21,782,332 |
| Sub-total Sewers | | | | \$ 38,664,838 | \$ 30,184,317 |
| Total Outstanding Long Term Debt | | | | \$ 108,932,838 | \$ 79,318,317 |
| This Issue | | | | | |
| 03/06/19 | 07/15/38 | 3.00-5.00 | General Purpose Bonds | \$ 10,016,472 | \$ 10,016,472 |
| 03/06/19 | 07/15/38 | 3.00-5.00 | School Bonds | 3,533,500 | 3,533,500 |
| 03/06/19 | 07/15/38 | 3.00-5.00 | Sewer Bonds | 950,028 | 950,028 |
| Total This Issue | | | | \$ 14,500,000 | \$ 14,500,000 |
| Grand-Total | | | | \$ 123,432,838 | \$ 93,818,317 |

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 \$6,185.

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, 2019
(Pro-Forma)**

The Town has no short-term debt outstanding.

Other Commitments

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 outstanding at December 31, 2018 is \$6,185 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 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 has a contract interest rate of 1.97% and an effective rate of 1.49% after an interest subsidy from Eversource Energy. Energy savings are expected to more than cover the cost of the lease payments.

**Annual Bonded Debt Maturity Schedule
As of March 6, 2019
(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 | | |
| 2019 ¹ | \$ 420,338 | \$ 128,656 | \$ 548,994 | \$ - | \$ - | \$ - | \$ - | 0.45% |
| 2020 | 6,866,006 | 2,235,293 | 9,101,299 | - | - | - | - | 7.77 |
| 2021 | 6,193,062 | 2,019,677 | 8,212,738 | 521,472 | 188,500 | 50,028 | 760,000 | 15.18 |
| 2022 | 6,200,260 | 1,805,188 | 8,005,448 | 525,000 | 185,000 | 50,000 | 760,000 | 22.60 |
| 2023 | 5,812,603 | 1,584,504 | 7,397,107 | 525,000 | 185,000 | 50,000 | 760,000 | 29.60 |
| 2024 | 5,350,095 | 1,378,098 | 6,728,193 | 525,000 | 185,000 | 50,000 | 760,000 | 36.11 |
| 2025 | 5,342,738 | 1,212,412 | 6,555,150 | 525,000 | 185,000 | 50,000 | 760,000 | 42.62 |
| 2026 | 5,040,535 | 1,071,948 | 6,112,483 | 525,000 | 185,000 | 50,000 | 760,000 | 48.80 |
| 2027 | 4,937,222 | 938,864 | 5,876,087 | 525,000 | 185,000 | 50,000 | 760,000 | 54.88 |
| 2028 | 4,346,439 | 821,063 | 5,167,502 | 525,000 | 185,000 | 50,000 | 760,000 | 60.32 |
| 2029 | 4,336,439 | 709,559 | 5,045,998 | 525,000 | 185,000 | 50,000 | 760,000 | 65.75 |
| 2030 | 3,946,439 | 595,243 | 4,541,682 | 525,000 | 185,000 | 50,000 | 760,000 | 70.77 |
| 2031 | 3,936,439 | 491,514 | 4,427,953 | 530,000 | 185,000 | 50,000 | 765,000 | 75.78 |
| 2032 | 3,481,439 | 393,598 | 3,875,037 | 530,000 | 185,000 | 50,000 | 765,000 | 80.30 |
| 2033 | 3,481,439 | 300,794 | 3,782,233 | 530,000 | 185,000 | 50,000 | 765,000 | 84.83 |
| 2034 | 2,926,439 | 215,740 | 3,142,179 | 530,000 | 185,000 | 50,000 | 765,000 | 88.77 |
| 2035 | 2,926,439 | 138,436 | 3,064,875 | 530,000 | 185,000 | 50,000 | 765,000 | 92.70 |
| 2036 | 2,141,439 | 72,332 | 2,213,772 | 530,000 | 185,000 | 50,000 | 765,000 | 95.80 |
| 2037 | 1,632,506 | 19,700 | 1,652,206 | 530,000 | 190,000 | 50,000 | 770,000 | 98.36 |
| 2038 | - | - | - | 530,000 | 190,000 | 50,000 | 770,000 | 99.18 |
| 2039 | - | - | - | 530,000 | 190,000 | 50,000 | 770,000 | 100.00 |
| Total | \$ 79,318,317 | \$ 16,132,618 | \$ 95,450,935 | \$ 10,016,472 | \$ 3,533,500 | \$ 950,028 | \$ 14,500,000 | |

¹ Excludes \$6,993,751 in principal payments and \$2,343,461 in interest payments made or coming due between July 1, 2018 and March 6, 2019.

Note: Includes State of Connecticut Clean Water Fund loan debt and excludes refunded bonds.

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, 2019 (Pro Forma)

Long-Term Debt:

| | |
|--|---------------|
| General Purpose (Includes this issue) | \$ 47,012,472 |
| Schools (Includes this issue) | 15,671,500 |
| Sewers ¹ (Includes this issue) | 31,134,345 |
| Total Long-Term Debt | 93,818,317 |
| Short-Term Debt | - |
| TOTAL DIRECT DEBT | 93,818,317 |
| Less: State School Construction Building Grants Principal Receivable (As of 12/31/18) ² | (32,905) |
| Sewer and Water Assessments Receivable (As of 12/31/18) | (114,500) |
| TOTAL NET DIRECT DEBT | 93,670,912 |
| Plus: Overlapping/Underlying Debt | - |
| TOTAL OVERALL NET DEBT | \$ 93,670,912 |

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, 2019 (Pro Forma)

| | |
|--|------------------|
| Population (2017) ² | 29,274 |
| Net Taxable Grand List (10/1/18) (70% of Estimated Full Value) | \$ 2,801,801,050 |
| Estimated Full Value | \$ 4,002,572,929 |
| Equalized Net Taxable Grand List (10/1/15) ¹ | \$ 4,007,441,337 |
| Income per Capita (2010) ³ | \$ 40,498 |
| Income per Capita (2017) ² | \$ 47,013 |

| | Total Direct Debt | Total Net Direct Debt | Total Overall Net Debt |
|---|------------------------------|----------------------------------|-----------------------------------|
| | \$93,818,317 | \$93,670,912 | \$93,670,912 |
| Per Capita | \$3,204.83 | \$3,199.80 | \$3,199.80 |
| Ratio to Net Taxable Grand List | 3.35% | 3.34% | 3.34% |
| Ratio to Estimated Full Value | 2.34% | 2.34% | 2.34% |
| Ratio to Equalized Net Taxable Grand List | 2.34% | 2.34% | 2.34% |
| Debt per Capita to Income per Capita (2010) | 7.91% | 7.90% | 7.90% |
| Debt per Capita to Income per Capita (2017) | 6.82% | 6.81% | 6.81% |

¹ Office of Policy and Management, State of Connecticut.

² American Community Survey, 2013-2017.

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 \$24,798,317 of Clean Water Fund permanent loan obligations outstanding reflected in the Town's "Debt Summary" herein.

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 \$250,000 may be approved by the Town Council.
2. Any appropriation and bond authorization which exceeds \$250,000 but does not exceed \$500,000 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 \$500,000 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. The referendum shall be held no later than 90 days following the Council vote to approve said appropriation.
4. To the extent any appropriation in excess of \$250,000 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 for a five-year period for any capital budget appropriations for a single, specified purpose.
6. The Charter provides that the appropriation and bond authorization dollar limits set forth therein shall be reviewed by the Council every five years, beginning January 1, 2018.

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**Statement of Statutory Debt Limitation
As of March 6, 2019
(Pro Forma)**

Total Tax Collections (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2018 \$ 88,572,619

Reimbursement For Revenue Loss:

Tax relief for elderly -

Base for Debt Limitation Computation..... \$ 88,572,619

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Unfunded Pension</u> |
|------------------------------------|------------------------|----------------|----------------|----------------------|-----------------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base..... | \$ 199,288,393 | - | - | - | - |
| 4 1/2 times base..... | - | \$ 398,576,786 | - | - | - |
| 3 3/4 times base..... | - | - | \$ 332,147,321 | - | - |
| 3 1/4 times base..... | - | - | - | \$ 287,861,012 | - |
| 3 times base..... | - | - | - | - | \$ 265,717,857 |
| Total Debt Limitation | \$ 199,288,393 | \$ 398,576,786 | \$ 332,147,321 | \$ 287,861,012 | \$ 265,717,857 |

Indebtedness:

| | | | | | |
|--|-------------|-------------|------------|---|---|
| Bonds & CWF PLO's Outstanding..... | 36,996,000 | 12,138,000 | 30,184,317 | - | - |
| Bonds – This Issue | 10,016,472 | 3,533,500 | 950,028 | - | - |
| Short Term Debt..... | - | - | - | - | - |
| Debt Authorized But Unissued..... | 2,116,665 | 2,300,664 | 640,000 | - | - |
| Total Indebtedness | 49,129,137 | 17,972,164 | 31,774,345 | - | - |
| Less: | | | | | |
| State School Grants - Principal Receivable ¹ | - | (32,905) | - | - | - |
| Estimated Grants Receivable | (2,235,352) | (1,014,400) | - | - | - |
| Sewer & Water Assessments Receivable | - | - | (114,500) | - | - |
| Total Net Indebtedness | 46,893,785 | 16,924,859 | 31,659,845 | - | - |

DEBT LIMITATION IN EXCESS

OF OUTSTANDING INDEBTEDNESS..... \$ 152,394,608 \$ 381,651,927 \$ 300,487,476 \$ 287,861,012 \$ 265,717,857

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 \$620,008,333.

**Authorized but Unissued Debt
As of March 6, 2019
(Pro Forma)**

| Project | Amount Authorized | Amount Previously Financed ² | This Issue The Bonds | Authorized & Unissued | Estimated Grants Receivable ¹ |
|-----------------------|------------------------------|--|---------------------------------|--------------------------------------|---|
| General Purpose | \$ 62,493,706 | \$ 50,360,569 | \$10,016,472 | \$ 2,116,665 | \$ 2,235,352 |
| Schools | 13,492,514 | 7,658,350 | 3,533,500 | 2,300,664 | 1,014,400 |
| Sewers | 36,835,000 | 35,244,972 | 950,028 | 640,000 | - |
| Total | \$ 112,821,220 | \$ 93,263,891 | \$14,500,000 | \$ 5,057,329 | \$ 3,249,752 |

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 | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Long-Term Debt | \$ 86,340,315 | \$ 97,323,044 | \$ 60,648,000 | \$ 62,576,466 | \$ 53,987,792 |
| Short-Term Debt | - | - | - | - | - |
| Total | \$ 86,340,315 | \$ 97,323,044 | \$ 60,648,000 | \$ 62,576,466 | \$ 53,987,792 |

Source: Annual audited financial statements.

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

| Fiscal Year Ended 6/30 | Net Assessed Value | Estimated Full Value | Net Long-Term Debt ¹ | Ratio of Net Long-Term Debt to Assessed Value | Ratio of Net Long-Term Debt to Estimated Full Value | Population ² | Net Long-Term Debt per Capita | Ratio of Net Long-Term Debt per Capita to Per Capita Income ³ |
|---|-----------------------------------|---------------------------------|--|--|--|--------------------------------|--|---|
| 2018 | \$ 2,778,822 | \$ 3,969,746 | \$ 86,340 | 3.11% | 2.17% | 29,274 | \$ 2,949.39 | 6.27% |
| 2017 | 2,763,741 | 3,948,201 | 97,323 | 0.04 | 0.02 | 29,274 | 3,324.56 | 0.07 |
| 2016 | 2,750,532 | 3,929,331 | 60,648 | 0.02 | 0.02 | 29,274 | 2,071.74 | 0.04 |
| 2015 | 2,726,750 | 3,895,357 | 62,576 | 2.29 | 1.61 | 29,274 | 2,137.61 | 4.55 |
| 2014 | 2,698,370 | 3,854,814 | 53,659 | 1.99 | 1.39 | 29,274 | 1,832.99 | 3.90 |
| 2013 | 2,881,585 | 4,116,550 | 60,863 | 2.11 | 1.48 | 29,274 | 2,079.08 | 4.42 |
| 2012 | 2,863,685 | 4,090,979 | 56,085 | 1.96 | 1.37 | 29,274 | 1,915.86 | 4.08 |

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), 2013-2017.

³ U.S. Department of Commerce, Bureau of Census, ACS 2017: Income Per Capita: \$47,013.

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

| Fiscal Year Ended 6/30 | Total Debt Service | Total General Fund Expenditures ¹ | Ratio of Debt Service To General Fund Expenditures (%) |
|---------------------------------------|-------------------------------|---|---|
| 2019 ² | \$ 6,574,924 | \$ 123,662,303 ³ | 5.32% |
| 2018 | 6,591,782 | 120,075,276 | 5.49 |
| 2017 | 6,727,183 | 119,988,739 | 5.61 |
| 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 |

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

² Budgeted.

³ An estimate for the State of Connecticut's Teacher's Retirement fund payment has been added to this number to be consistent with prior years.

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VI. Financial Information

The General Fund Revenues, Expenditures and Changes in Fund Balance for the fiscal years ended June 30, 2014 through June 30, 2018 have been derived from audited financial statements on a GAAP basis. The Adopted Budget for fiscal year 2018-2019 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, 2018.)

General Fund Revenues, Expenditures and Changes in Fund Balance

| Revenues: | Adopted Budget 2019 | Actual 2018 | Actual 2017 | Actual 2016 | Actual 2015 | Actual 2014 | Actual 2013 |
|---|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Property Taxes | \$ 90,917,783 | \$ 88,764,655 | \$ 86,340,125 | \$ 83,973,691 | \$ 81,989,985 | \$ 79,722,309 | \$ 78,167,540 |
| Intergovernmental ¹ | 14,916,868 | 28,670,263 | 29,594,581 | 25,313,541 | 25,852,837 | 24,543,872 | 23,677,909 |
| Investment Income | 900,000 | 507,789 | 213,597 | 145,901 | 130,521 | 109,980 | 111,783 |
| Charges for services | 2,276,652 | 2,893,360 | 2,934,073 | 2,561,691 | 2,326,024 | 2,514,759 | 2,709,802 |
| Other ² | 1,189,000 | 271,299 | 615,198 | 709,382 | 294,274 | 275,836 | 352,099 |
| Total Revenues | 110,200,303 | 121,107,366 | 119,697,574 | 112,704,206 | 110,593,641 | 107,166,756 | 105,019,133 |
| Expenditures: | | | | | | | |
| Administration and Finance ⁴ | 13,074,828 | 12,362,605 | 12,467,704 | 11,828,942 | 11,255,168 | 10,786,244 | 10,334,731 |
| Planning and Development | 559,071 | 528,591 | 529,368 | 527,025 | 510,710 | 511,205 | 493,523 |
| Public Safety | 7,248,244 | 6,912,516 | 6,833,420 | 6,765,459 | 6,446,795 | 6,291,401 | 6,195,398 |
| Public Works | 6,358,048 | 6,043,517 | 5,595,836 | 5,310,222 | 5,329,060 | 5,419,667 | 5,507,157 |
| Public Health | 484,296 | 495,603 | 458,744 | 451,549 | 449,181 | 428,576 | 441,501 |
| Social Services | 926,983 | 862,945 | 866,048 | 819,370 | 797,586 | 774,440 | 756,699 |
| Cultural services | 2,006,476 | 1,911,595 | 1,970,786 | 1,901,710 | 1,845,471 | 1,747,966 | 1,697,293 |
| Leisure services | 948,807 | 1,488,947 | 2,224,281 | 2,088,041 | 1,756,907 | 1,855,955 | 1,994,834 |
| Education ¹ | 71,643,626 | 83,409,031 | 81,465,369 | 75,896,046 | 74,575,158 | 71,369,932 | 68,815,590 |
| Debt Service | 6,574,924 | 6,591,782 | 6,727,183 | 6,945,314 | 7,587,271 | 8,212,210 | 8,209,112 |
| Total Expenditures | 109,825,303 | 120,607,132 | 119,138,739 | 112,533,678 | 110,553,307 | 107,397,596 | 104,445,838 |
| Excess (deficiency) of revenues over expenditures | 375,000 | 500,234 | 558,835 | 170,528 | 40,334 | (230,840) | 573,295 |
| Other financing sources (uses): | | | | | | | |
| Refunding Bond Proceeds | - | - | - | 5,940,000 | 4,965,000 | 9,560,000 | - |
| Bond Premiums/Accrued Interest | - | - | - | 495,080 | 393,600 | 662,990 | - |
| Payment to Refunded Bond Escrow | - | - | - | (6,318,509) | (5,272,199) | (10,079,384) | - |
| Insurance Recovery | - | - | - | - | - | - | 258,344 |
| Transfer in | 725,000 | 1,062,775 | 755,078 | 753,657 | 754,013 | 813,938 | 802,863 |
| Transfer out ³ | (1,100,000) | (781,952) | (850,000) | (1,185,000) | (1,100,000) | (950,000) | (1,000,000) |
| Net other financing sources (uses) | (375,000) | 280,823 | (94,922) | (314,772) | (259,586) | 7,544 | 61,207 |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | - | 781,057 | 463,913 | (144,244) | (219,252) | (223,296) | 634,502 |
| Fund Balance, July 1 | 13,050,339 | 12,269,282 | 11,805,369 | 11,949,613 | 12,168,865 | 12,392,161 | 11,757,659 |
| Fund Balance, June 30 | \$ 13,050,339 | \$ 13,050,339 | \$ 12,269,282 | \$ 11,805,369 | \$ 11,949,613 | \$ 12,168,865 | \$ 12,392,161 |
| Operating Expenditures (including transfers out) | N/A | \$ 121,389,084 | \$ 119,988,739 | \$ 113,718,678 | \$ 111,653,307 | \$ 108,347,596 | \$ 105,445,838 |
| Fund Balance as Percent of General Fund Expenditures (including transfers out) | N/A | 10.8% | 10.2% | 10.4% | 10.7% | 11.2% | 11.8% |

¹ GAAP basis includes payments made by the State of Connecticut on behalf of Town of Cheshire for the State Teachers' Retirement System including: \$14,050,395 (6/30/18), \$12,668,791 (6/30/17), \$7,860,000 (6/30/16), \$8,105,000 (6/30/15), \$7,722,000 (6/30/14).

² Included in the "Other" revenue line item is application of \$800,000 of Fund Balance in the fiscal year 2018-19 adopted budget.

³ Includes transfers to the Capital and Non-Recurring Fund: \$765,000 (6/30/2018), \$850,000 (6/30/17), \$835,000 (6/30/16), \$1,100,000 (6/30/15), \$950,000 (6/30/14).

⁴ Fiscal Year 2019 Budget includes \$125,000 for contingency.

Analysis of General Fund Balance

| | Budget 2019 | Actual 2018 | Actual 2017 | Actual 2016 | Actual 2015 | Actual 2014 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Nonspendable | N/A | \$ 90,257 | \$ 1,310,489 | \$ 76,554 | \$ 82,760 | \$ 81,848 |
| Committed | N/A | 25,000 | 25,000 | 100,000 | 250,000 | 500,000 |
| Assigned | N/A | 2,354,385 | 2,574,820 | 2,231,241 | 2,503,625 | 2,577,811 |
| Unassigned | N/A | 10,580,697 | 8,358,973 | 9,397,574 | 9,113,228 | 9,009,206 |
| Total General Fund Balance | \$ - | \$13,050,339 | \$12,269,282 | \$ 11,805,369 | \$ 11,949,613 | \$ 12,168,865 |

Connecticut General Statutes Section 4-661, as amended (“Section 4-661”), creates certain disincentives on increasing adopted 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 for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceeds the previous fiscal year by 2.5% or more or the rate of inflation, whichever is greater (the “expenditure cap”). The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality’s adopted budget exceeds the expenditure cap. A municipality whose population increased from the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-661 requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the expenditure cap, and if so, the amount by which the expenditure cap was exceeded. For fiscal year ending June 30, 2019, the Town will receive municipal revenue sharing grant moneys from the State.

Under Section 4-661, municipal spending does not include expenditures: (i) for debt service, special education, or costs to implement court orders or arbitration awards; (ii) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; (iii) for any municipal revenue sharing grant the municipality disburses to a district; or (iv) budgeting for an audited deficit, non-recurring grants, capital expenditures or payments on unfunded pension liabilities.

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Historical General Fund Balance Sheet

| | Actual 6/30/2018 | Actual 6/30/2017 | Actual 6/30/2016 | Actual 6/30/2015 | Actual 6/30/2014 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets: | | | | | |
| Cash and Cash Equivalents..... | \$ 18,749,915 | \$ 16,370,436 | \$ 17,100,026 | \$ 14,576,301 | \$ 14,037,947 |
| Receivables..... | 686,011 | 663,119 | 865,540 | 716,699 | 817,950 |
| Investments..... | 8,321,000 | 8,226,000 | 8,101,000 | 7,983,000 | 7,875,000 |
| Due from other funds..... | - | 107 | 1,212 | 4,297 | - |
| Other Assets | 90,257 | 1,310,489 | 76,554 | 82,760 | 81,848 |
| Bond Proceeds, held in trust..... | - | - | - | - | - |
| Prepays..... | - | - | - | - | - |
| Total Assets | \$ 27,847,183 | \$ 26,570,151 | \$ 26,144,332 | \$ 23,363,057 | \$ 22,812,745 |
| Liabilities: | | | | | |
| Accounts Payable | \$ 2,165,301 | \$ 1,768,463 | \$ 1,970,241 | \$ 1,206,828 | \$ 1,572,040 |
| Accrued Payroll | 5,523,557 | 5,679,895 | 6,652,286 | 6,078,406 | 5,757,021 |
| Deferred Revenue | - | - | - | - | - |
| Unearned Revenue | 66,008 | 31,646 | 40,612 | 208,782 | 340,105 |
| Due to bond escrow agent | - | - | - | - | - |
| Due to other funds | - | - | - | - | - |
| Total Liabilities | \$ 7,754,866 | \$ 7,480,004 | \$ 8,663,139 | \$ 7,494,016 | \$ 7,669,166 |
| Deferred Inflows of Resources: ¹ | | | | | |
| Advance Tax Collections..... | \$ 6,738,122 | \$ 6,497,033 | \$ 5,356,498 | \$ 3,622,568 | \$ 2,497,764 |
| Unavailable Resources..... | 303,856 | 323,832 | 319,326 | 296,860 | 476,950 |
| Total Deferred Inflows of Resources..... | \$ 7,041,978 | \$ 6,820,865 | \$ 5,675,824 | \$ 3,919,428 | \$ 2,974,714 |
| Fund Balance: | | | | | |
| Nonspendable | \$ 90,257 | \$ 1,310,489 | \$ 76,554 | \$ 82,760 | \$ 81,848 |
| Committed | 25,000 | 25,000 | 100,000 | 250,000 | 500,000 |
| Assigned | 2,354,385 | 2,574,820 | 2,231,241 | 2,503,625 | 2,577,811 |
| Unassigned | 10,580,697 | 8,358,973 | 9,397,574 | 9,113,228 | 9,009,206 |
| Total Fund Balance | \$ 13,050,339 | \$ 12,269,282 | \$ 11,805,369 | \$ 11,949,613 | \$ 12,168,865 |

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 2018.

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, 2017. 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 2018-2019 Town budget. This is the fourteenth 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 |
|-------------------------------------|---------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | |
| Administration & Finance | | | | | | |
| Finance | \$ 374,000 | \$ 520,000 | \$ 210,000 | \$ 640,000 | \$ 210,000 | \$ 1,954,000 |
| General Services..... | 222,000 | 292,000 | 364,000 | 203,000 | 177,000 | 1,258,000 |
| Public Property..... | 475,000 | 480,000 | 735,000 | 355,000 | - | 2,045,000 |
| Planning & Development | | | | | | |
| Land Acquisition | - | 500,000 | - | - | - | 500,000 |
| Public Safety | | | | | | |
| Police | 185,000 | - | - | - | - | 185,000 |
| Fire | 640,000 | 145,000 | 1,150,000 | 795,000 | 660,000 | 3,390,000 |
| Public Works | | | | | | |
| Roads, Sidewalk, Drainage & Trees.. | 2,846,000 | 5,212,000 | 3,720,000 | 3,015,000 | 2,531,000 | 17,324,000 |
| Sewer & Water | 365,000 | 300,000 | 300,000 | 395,000 | 195,000 | 1,555,000 |
| Leisure Services | | | | | | |
| Recreation | 280,000 | 345,000 | 2,290,000 | 150,000 | 180,000 | 3,245,000 |
| Education | 2,612,000 | 4,001,000 | 3,725,000 | 5,638,000 | 3,250,000 | 19,226,000 |
| Total | \$ 7,999,000 | \$ 11,795,000 | \$ 12,494,000 | \$ 11,191,000 | \$ 7,203,000 | \$ 50,682,000 |
| Funding Sources | | | | | | |
| Bond/Note Proceeds | \$ 6,622,000 | \$ 9,675,000 | \$ 10,957,000 | \$ 9,708,000 | \$ 5,663,000 | \$ 42,625,000 |
| Grants | 555,000 | 1,003,000 | 593,000 | 145,000 | 473,000 | 2,769,000 |
| Capital & Non-recurring | | | | | | |
| Expenditures Fund | 822,000 | 1,117,000 | 944,000 | 1,338,000 | 1,067,000 | 5,288,000 |
| Total Funding Sources | \$ 7,999,000 | \$ 11,795,000 | \$ 12,494,000 | \$ 11,191,000 | \$ 7,203,000 | \$ 50,682,000 |

Note: The above is based on the Town Council's approved Five Year Capital Plan for Fiscal Years 2019 through 2023.

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Pension Programs

The Town contributes to three single employer, defined benefit pension plans that are closed to new employees: Town, Police, and Volunteer Firefighters. 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, 2017, the Town, Police and Volunteer Firefighter plans were funded at 83.5%, 59.9% and 42.2%, 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, 137 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 10% contribution from the Town and 6% from the officers based on compensation that includes overtime but excludes special duty.

Below is the past five years of funding of the Plans:

| Town Plan | | | |
|--------------------------|--|----------------------------|----------------------------|
| Fiscal Year Ended | Actuarially Determined Contribution | Actual Contribution | Percent Contributed |
| 6/30/2018 | \$ 1,825,373 | \$ 1,825,373 | 100.0% |
| 6/30/2017 | 1,773,905 | 1,773,905 | 100.0% |
| 6/30/2016 | 1,821,202 | 1,821,202 | 100.0% |
| 6/30/2015 | 2,096,584 | 1,840,124 | 87.8% |
| 6/30/2014 | 2,014,125 | 1,540,124 | 76.5% |

| Police Plan | | | |
|--------------------------|--|----------------------------|----------------------------|
| Fiscal Year Ended | Actuarially Determined Contribution | Actual Contribution | Percent Contributed |
| 6/30/2018 | \$ 1,631,178 | \$ 1,452,765 | 89.1% |
| 6/30/2017 | 1,456,934 | 1,302,765 | 89.4% |
| 6/30/2016 | 1,342,563 | 1,152,765 | 85.9% |
| 6/30/2015 | 1,205,946 | 852,765 | 70.7% |
| 6/30/2014 | 1,143,257 | 702,765 | 61.5% |

| Volunteer Fire | | | |
|--------------------------|--|----------------------------|----------------------------|
| Fiscal Year Ended | Actuarially Determined Contribution | Actual Contribution | Percent Contributed |
| 6/30/2018 | \$ 257,157 | \$ 257,157 | 100.0% |
| 6/30/2017 | 270,278 | 270,278 | 100.0% |
| 6/30/2016 | 263,917 | 263,917 | 100.0% |
| 6/30/2015 | 241,200 | 241,200 | 100.0% |
| 6/30/2014 | 249,892 | 223,000 | 89.2% |

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, 2017, this plan was 3.1% funded with actuarial assets valued at \$289,194 and had actuarial accrued liabilities valued at \$9,430,008.

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, 2017, this plan was 3.3% funded with actuarial assets valued at \$83,345 and had actuarial accrued liabilities valued at \$2,530,319.

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, 2017, this plan was 3.3% funded with actuarial assets valued at \$510,911 and had actuarial accrued liabilities valued at \$15,511,064.

Below is the past five years of funding of the Plans:

| Town Plan | | | |
|--------------------------|--------------------------------|----------------------------|----------------------------|
| Annual | | | |
| Fiscal Year Ended | Determined Contribution | Actual Contribution | Percent Contributed |
| 6/30/2018 | \$1,150,167 | \$ 733,522 | 63.78% |
| 6/30/2017 | 1,089,741 | 772,073 | 70.85% |
| 6/30/2016 | 1,149,867 | 848,406 | 73.78% |
| 6/30/2015 | 1,103,235 | 827,537 | 75.01% |
| 6/30/2014 | 1,631,204 | 1,080,481 | 66.24% |

| Police Plan | | | |
|--------------------------|--------------------------------|----------------------------|----------------------------|
| Annual | | | |
| Fiscal Year Ended | Determined Contribution | Actual Contribution | Percent Contributed |
| 6/30/2018 | \$ 762,064 | \$ 505,276 | 66.30% |
| 6/30/2017 | 711,806 | 504,927 | 70.94% |
| 6/30/2016 | 732,922 | 404,366 | 55.17% |
| 6/30/2015 | 673,997 | 155,183 | 23.02% |
| 6/30/2014 | 697,112 | 62,712 | 9.00% |

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 2018, the accumulated value was \$2,903,700. The Town and Board of Education were also liable for early retirement contracts totaling \$148,508.

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 \$175,000. 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, 2018, 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% |

VII. Legal and Other Information

Litigation

Following consultation with the Town Attorney, 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." For the purposes of this Official Statement judgments "which would materially adversely affect its financial position" means judgments for which "there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to invest".

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 20, 2019. 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 25 copies of the Official Statement at the Town's expense within seven business days of the bid opening. Additional copies may be obtained by the 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/ Sean M. Kimball

Sean M. Kimball, *Town Manager*

/s/ James J. Jaskot

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

Dated: February 20, 2019

Appendix A

2018 Basic Financial Statements

The following includes the Basic Financial Statements of the Town for the fiscal year ended June 30, 2018. 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

RSM US LLP

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, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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.

Emphasis of Matter—Adoption of Standards

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which resulted in the Town restating net position for recognition of the Town's OPEB related activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the pension and other post-employment schedules 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, which 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 31, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 31, 2019

Town of Cheshire, Connecticut Management's Discussion and Analysis - *unaudited* June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report as well as the Town's basic financial statements that follow this section.

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

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all Town assets and deferred outflows and liabilities and deferred inflows, 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 two types of fiduciary funds: pension and other postemployment benefit trust funds and agency funds which include student activity and performance bonds. 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 25-74 of this report.

Required Supplementary Information. The 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 75-82 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 83-85 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 104-113 of this report.

Financial Highlights-Government-wide Financial Statements

- Total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources resulting in a net position of \$88.625 million. The net position includes \$133.704 million invested in capital assets. The balance also includes \$4.266 million restricted for various programs and a deficit, unrestricted net position (deficit) of \$(49.345) million. Unrestricted net position, if any, may be used to meet the Town's ongoing obligations to citizens and creditors.
- After taking into consideration new reporting requirements for other postemployment benefits, net position decreased during the year by \$405 thousand resulting in a net position of \$88.625 million.
- Revenues increased by \$1.945 million, or 1.49 percent, primarily due to an increase in tax revenues of \$2.433 million and investment income and other of \$.490 million, offset by a decrease in grants and contributions not restricted to specific programs of \$1.062 million. The decrease was primarily due to reductions in State aid. Program revenue remained relatively the same overall as the prior year.
- Expenses increased by \$5.844 million, or 4.60 percent. The increase was due in part to a \$1.382 million increase in Education expenses from contributions to the Teachers Retirement System for pension and other postemployment benefits. The contributions totaled \$14,050,395 and are subsidized by the State. In addition, there was a significant increase in the Heart and Hypertension fund claims payable resulting in a charge to Public Safety expense of \$1.681 million. Also, interest on long-term debt increased by \$1.803 million due to initial debt service payments associated with a State loan that financed a major Water Pollution Control Plant upgrade.

Financial Highlights - Fund Financial Statements

- As of the close of the current fiscal year, the overall decrease in fund balance for governmental funds is \$4.518 million resulting in an ending fund balance of \$29.017 million. This decrease was generated mostly from net capital outlay of \$4.769 million, \$5.936 million of capital expenditures net of capital grants totaling \$1.167 million. Also of significance, the fund balances in the General Fund and Water Pollution Control Fund increased by .781 million and \$1.248 million, respectively. The General Fund increase was mainly the result of budgetary expenditure freezes for both the Town and schools due to concerns over potential cuts in State aid. The Water Pollution Control Fund increase stemmed largely due to a \$1.454 million settlement with the State over a billing dispute due to a faulty usage meter at a State prison complex. These fund balance increases were offset by a \$.2.442 million decrease in the Debt Reserve Fund balance as some of the reserve was used to defray the initial increase in debt service associated with a State loan that financed a major Water Pollution Control Plant upgrade.
- The fund balance of the General Fund at June 30, 2018 was \$13.050 million, an increase of \$.781 million from the prior fiscal year as noted above. For reporting purposes, two reserve funds and the Community Pool fund are combined with the General Fund as they did not meet the definition of a special revenue fund per GASB No. 54.
- The fund balance of the General Fund of \$13.050 million at June 30, 2018 consists of \$10.581 million unassigned fund balance, or 8.77 percent of GAAP operating expenditures. There is also \$.090 million of nonspendable fund balance earmarked for prepaid expenditures, \$.025 million of committed fund balance to mitigate contribution increases for funding long-term pension liabilities, and \$2.354 million of assigned fund balance including \$.800 million of funding for the 2019 fiscal year budget and the balance mostly for outstanding 2018 fiscal year 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 and deferred outflows exceeded liabilities and deferred inflows by \$88.625 million at the close of the most recent fiscal year.

Town of Cheshire, Connecticut
Summary Statement of Net Position
June 30, 2018 and 2017

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2018 | 2017 * |
| Current and Other Assets | \$ 52,282,377 | \$ 56,905,639 |
| Capital Assets (net) | 227,197,879 | 228,925,100 |
| Total assets | 279,480,256 | 285,830,739 |
| Pension / OPEB related items | 4,389,341 | 6,483,340 |
| Deferred charge on refundings | 1,336,098 | 1,580,818 |
| Total deferred outflows of resources | 5,725,439 | 8,064,158 |
| Current Liabilities | 21,567,446 | 21,525,429 |
| Long-Term Liabilities | 163,656,752 | 172,810,493 |
| Total liabilities | 185,224,198 | 194,335,922 |
| Pension / OPEB related items | 4,618,472 | 4,031,741 |
| Advance tax collections | 6,738,122 | 6,497,033 |
| Total deferred inflows of resources | 11,356,594 | 10,528,774 |
| Net Position | | |
| Net investment in capital assets | 133,703,530 | 131,262,714 |
| Restricted | 4,265,750 | 4,101,651 |
| Unrestricted (Deficit) | (49,344,377) | (46,334,164) |
| Total net position | \$ 88,624,903 | \$ 89,030,201 |

* Restatement (Note 17)

The net investment in capital assets, (e.g. land, buildings, machinery and equipment, and infrastructure), represents \$133.704 million, or 150.9 percent 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 | \$ 227,197,879 |
| Less: Related Debt | (86,312,069) |
| Deferred Loss | 1,336,098 |
| Bond Premium | (3,560,680) |
| Accounts Payable for Capital Outlay | (1,311,653) |
| Capital Lease | (9,873,543) |
| Unspent Bond Proceeds | 6,227,498 |
| Net Investment in Capital Assets | <u><u>\$ 133,703,530</u></u> |

A small portion of the Town's net position, \$4.266 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 \$(49.344) 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, 2018 and 2017**

| | Governmental Activities | | |
|---|-----------------------------|-----------------------------|----------|
| | 2018 | 2017 | % Change |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for services | \$ 9,919,562 | \$ 8,257,064 | 20.13% |
| Operating grants and contributions | 25,983,041 | 25,928,094 | 0.21% |
| Capital grants and contributions | 1,167,464 | 2,801,191 | -58.32% |
| General Revenues: | | | |
| Property taxes | 88,806,576 | 86,373,890 | 2.82% |
| Grants and contributions not restricted to specific programs | 5,203,968 | 6,265,739 | -16.95% |
| Investment income and other | 1,469,625 | 979,365 | 50.06% |
| Total revenues | <u>132,550,236</u> | <u>130,605,343</u> | 1.49% |
| Expenses | | | |
| Administration & Finance | 6,386,014 | 6,693,198 | -4.59% |
| Planning and Development | 703,590 | 819,757 | -14.17% |
| Public Safety | 14,745,098 | 12,961,503 | 13.76% |
| Public Works | 12,712,326 | 11,762,514 | 8.07% |
| Public Health | 495,603 | 391,980 | 26.44% |
| Social Services | 1,521,821 | 1,457,591 | 4.41% |
| Culture Services | 2,797,294 | 2,866,872 | -2.43% |
| Leisure Services | 1,914,792 | 1,753,481 | 9.20% |
| Education | 88,044,705 | 86,572,729 | 1.70% |
| Interest on long-term debt | 3,634,291 | 1,831,662 | 98.41% |
| Total expenses | <u>132,955,534</u> | <u>127,111,287</u> | 4.60% |
| Change in net position | (405,298) | 3,494,056 | |
| Net Position, beginning | 89,030,201 | 108,172,179 | |
| Restatement (Note 17) | - | (22,636,034) | |
| Net Position, ending | <u>\$ 88,624,903</u> | <u>\$ 89,030,201</u> | |

Governmental Activities. Governmental activities decreased the Town's net position by \$405.3 thousand.

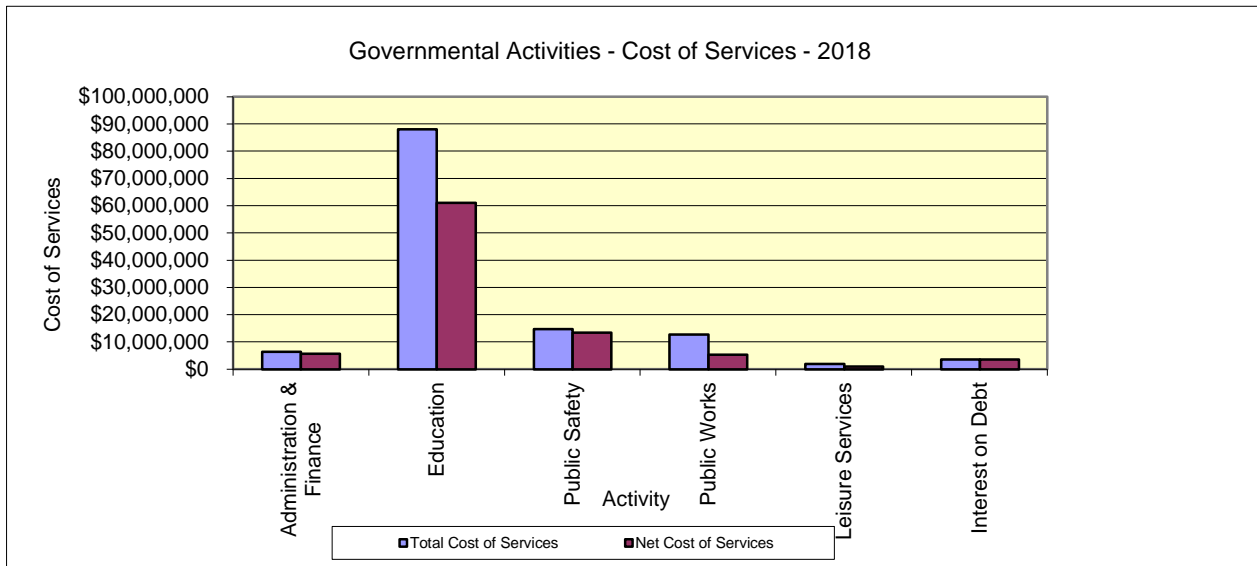
Major revenue factors include:

- Overall, revenues increased by 1.945 million, or 1.49 percent, primarily due to increases in property tax revenue, offset by a decrease in grants and contributions not restricted to specific programs, as detailed below. Program revenues were overall consistent with the prior year with a \$1.634 million decrease in capital grants and contributions offset by a \$1.662 increase in charges for services. There was a decrease in capital grants due to the completion of the East Johnson Bridge project in the prior year. The increase in charges for services was mainly due to a \$1.454 million settlement with the State over a sewer use billing dispute and an increase in sewer use fees from a rate restructuring of approximately \$.325 million.
- Property tax revenue increased by \$2.433 million, consistent with the fiscal year 2018 budget increase of \$2.680 million and overall decrease in non-tax revenue.
- Grants and contributions not restricted to specific programs decreased by \$1.062 million. The decrease was primarily due to reductions in State aid.

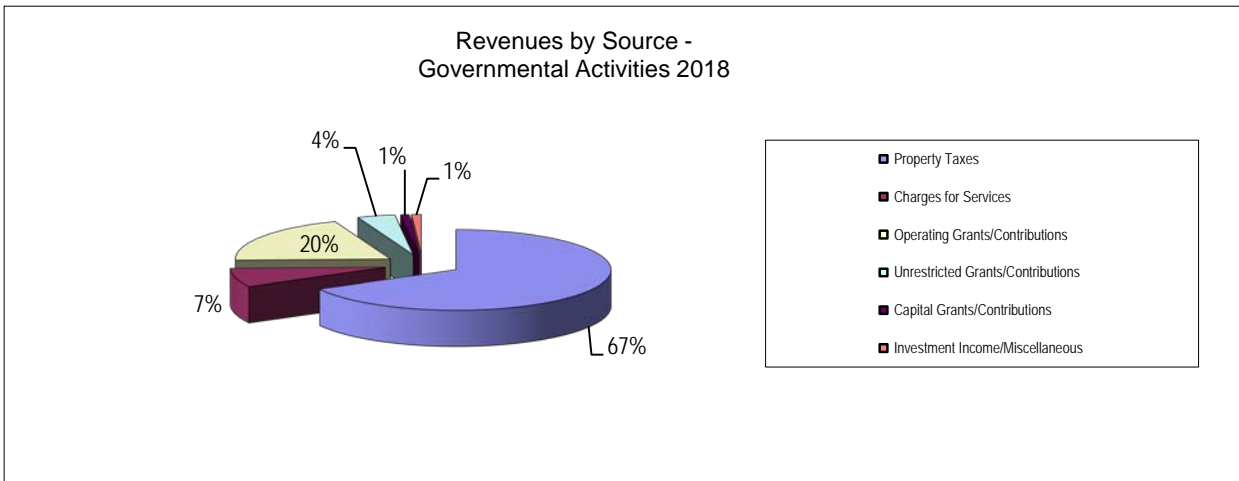
Major expense factors include:

- Overall, expenses increased by \$5.844 million, or 4.60 percent. The increase was due in part to a \$1.382 million increase in Education expenses from contributions to the Teachers Retirement System for pension and other postemployment benefits. In addition, there was a significant increase in the Heart and Hypertension fund claims payable resulting in a charge to Public Safety expense of \$1.681 million. Also, interest on long-term debt increased by \$1.803 million due to initial debt service payments associated with a State loan that financed a major Water Pollution Control Plant upgrade.

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 of \$29.017 million, a decrease of \$4.518 million from the prior year. The \$29.017 million fund balance consists of \$18.436 million that is either nonspendable, restricted, committed, or assigned as defined by Governmental Accounting Standards Board No. 54, and an unassigned fund balance of \$10.581 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 \$10.581 million while total fund balance is \$13.050 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 8.77 percent of total General Fund expenditures, while total fund balance represents 10.82 percent of that same amount.

Capital Improvements Fund

The Capital Improvements fund balance was \$5.037 million, a decrease of \$4.153 million. Funding from capital grants of \$ 1.145 million and transfers from various other funds of \$.153 million partially offset capital outlay of \$5.440 million.

Debt Reserve Fund

The Debt Reserve Fund balance was \$4.721 million, a decrease of \$2.442 million. A transfer from the Capital and Nonrecurring Expenditures Fund of \$.250 million and investment income totaling \$.058 million partially offset debt service payments of \$2.750 million, offsetting a spike in debt service associated with initial payments on a state Clean Water Fund loan that financed a major Water Pollution Control Plant upgrade.

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, 2018, amounts to \$227.198 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: Land Improvements increased by \$.273 million, mostly for sidewalk replacement at Cheshire High and Chapman schools. Buildings and improvements of \$.942 million were placed in service during the year and include new courtyard windows and an emergency generator at Cheshire High School. Vehicle purchases of \$.372 million include mostly new cars, trucks and vans for the Cheshire Public Schools and the Police department. Machinery and Equipment additions of \$.259 million were for various town and school purposes including technology upgrades. Infrastructure additions of \$3.776 million include a \$.887 million road reconstruction project at South Brookvale Road, a new sidewalk and retaining wall on West Main Street, and various other new sidewalk and road paving projects under the Town's maintenance program. Construction in progress had a balance of \$2.487 million and includes work on the West Johnson and Cook Hill pump stations, a Library reconfiguration initiative, and various school building improvement projects.

Town of Cheshire, Capital Assets Net of Accumulated Depreciation

| | Governmental Activities June 30, | |
|---------------------------|-------------------------------------|-----------------------|
| | 2018 | 2017 |
| Land | \$ 24,459,207 | \$ 24,459,207 |
| Building and improvements | 113,683,556 | 116,362,052 |
| Land Improvements | 4,825,709 | 4,782,212 |
| Machinery and equipment | 5,359,959 | 6,127,661 |
| Motor vehicles | 5,329,628 | 5,643,957 |
| Infrastructure | 71,052,340 | 69,207,362 |
| Construction in progress | 2,487,480 | 2,342,649 |
| Total | \$ 227,197,879 | \$ 228,925,100 |

Additional information on the Town's capital assets can be found in Note 5 on page 42 of this report.

Long-term Debt. At the end of the current fiscal year, the Town had total gross bonded debt outstanding of \$89.873 million including \$3.561 million of unamortized bond premiums. The Town retired \$7.046 million in debt, resulting in a decrease in net debt outstanding of 7.55 percent 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 \$620.008 million. The Town had debt issues outstanding that were \$86.312 million, or 13.92 percent of the total debt limitation.

Additional information on the Town's long-term debt can be found in Note 6 on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

Median household income was \$108,559 and per capita income was \$45,164 in 2018. For the fiscal year ended June 30, 2018, unassigned fund balance in the General Fund was \$10.581 million. These factors were among those considered in preparing the Town's budget for the 2019 fiscal year.

The 2019 General Fund budget increased by 2.11 percent, or \$110.925 million, and the mill rate increased by 2.13 percent, from 31.94 mills to 32.62 mills. The Water Pollution Control Authority sewer use rate increased by \$15 to \$415 for the 2019 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, 2018

| | Primary Governmental Activities |
|---|---------------------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 35,084,258 |
| Investments, certificate of deposit | 9,110,000 |
| Receivables, net of allowance for collection losses: | |
| Property taxes | 340,734 |
| Assessments and user charges | 221,794 |
| Intergovernmental | 331,639 |
| Other | 828,144 |
| Other assets | 124,259 |
| Total current assets | 46,040,828 |
| Noncurrent assets: | |
| Capital assets not being depreciated | 26,946,687 |
| Capital assets being depreciated, net of accumulated depreciation | 200,251,192 |
| Restricted cash | 6,227,498 |
| Intergovernmental receivables | 14,051 |
| Total noncurrent assets | 233,439,428 |
| Total assets | 279,480,256 |
| Deferred outflows of resources: | |
| Pension related items | 4,388,786 |
| OPEB related items | 555 |
| Deferred charge on refundings | 1,336,098 |
| Total deferred outflows of resources | 5,725,439 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 4,877,588 |
| Accrued payroll | 5,558,964 |
| Accrued interest payable | 925,258 |
| Unearned revenue | 546,625 |
| Current portion of long-term debt obligations | 9,659,011 |
| Total current liabilities | 21,567,446 |
| Noncurrent | |
| Noncurrent portion of long-term debt obligations | 163,656,752 |
| Total noncurrent liabilities | 163,656,752 |
| Total liabilities | 185,224,198 |
| Deferred inflows of resources: | |
| Pension related items | 1,676,166 |
| OPEB related items | 2,942,306 |
| Advance tax collections | 6,738,122 |
| Total deferred inflows of resources | 11,356,594 |
| Net position: | |
| Net investment in capital assets | 133,703,530 |
| Restricted for various programs: | |
| Nonexpendable | 78,361 |
| Administration and finance | 24,635 |
| Public safety | 861,133 |
| Public works | 1,158,932 |
| Social services | 57,298 |
| Cultural services | 85,060 |
| Leisure services | 29,219 |
| Education | 1,206,386 |
| Capital outlay | 121,478 |
| Debt service | 643,248 |
| Unrestricted (deficit) | (49,344,377) |
| Total net position | \$ 88,624,903 |

See notes to financial statements.

Town of Cheshire, Connecticut

Statement of Activities
For the Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|--|-------------------------|----------------------|------------------------------------|----------------------------------|------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Change in Net Position |
| | | | | | Primary Government Total |
| Governmental activities: | | | | | |
| Administration and Finance | \$ (6,386,014) | \$ 688,812 | \$ 5,039 | \$ - | \$ (5,692,163) |
| Planning and Development | (703,590) | 18,783 | 21,242 | - | (663,565) |
| Public Safety | (14,745,098) | 619,785 | 492,673 | 122,962 | (13,509,678) |
| Public Works | (12,712,326) | 5,498,936 | 743,416 | 1,044,502 | (5,425,472) |
| Public Health | (495,603) | - | - | - | (495,603) |
| Social Services | (1,521,821) | 40,127 | 181,769 | - | (1,299,925) |
| Cultural services | (2,797,294) | 144,996 | 17,402 | - | (2,634,896) |
| Leisure services | (1,914,792) | 842,924 | 47,265 | - | (1,024,603) |
| Education | (88,044,705) | 2,065,199 | 24,474,235 | - | (61,505,271) |
| Interest on long-term debt | (3,634,291) | - | - | - | (3,634,291) |
| Total primary government | \$ (132,955,534) | \$ 9,919,562 | \$ 25,983,041 | \$ 1,167,464 | (95,885,467) |
| General revenues: | | | | | |
| Property taxes | | | | | 88,806,576 |
| Grants and contributions not restricted to specific programs | | | | | 5,203,968 |
| Investment income | | | | | 661,294 |
| Miscellaneous | | | | | 808,331 |
| Total general revenues | | | | | <u>95,480,169</u> |
| Change in net position (405,298) | | | | | |
| Net position - beginning, as restated (Note 17) 89,030,201 | | | | | |
| Net position - ending <u>\$ 88,624,903</u> | | | | | |

See notes to financial statements.

Town of Cheshire, Connecticut

Balance Sheet - Governmental Funds
June 30, 2018

| | Major Funds | | | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------------------|-------------------------|-----------------------------------|--------------------------------|
| | General Fund | Capital Improvements Fund | Debt Reserve Fund | | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 18,749,915 | \$ - | \$ 4,721,261 | \$ 6,005,649 | \$ 29,476,825 |
| Receivables (net of allowances for collection losses): | | | | | |
| Property taxes | 340,734 | - | - | - | 340,734 |
| Assessments and user charges | - | - | - | 221,794 | 221,794 |
| Intergovernmental | 49,570 | 121,478 | - | 174,642 | 345,690 |
| Other | 295,707 | - | - | 23,657 | 319,364 |
| Certificate of deposits | 8,321,000 | - | - | 789,000 | 9,110,000 |
| Restricted Cash | - | 6,227,498 | - | - | 6,227,498 |
| Other assets | 90,257 | - | - | - | 90,257 |
| Inventory | - | - | - | 34,002 | 34,002 |
| Total assets | \$ 27,847,183 | \$ 6,348,976 | \$ 4,721,261 | \$ 7,248,744 | \$ 46,166,164 |
| Liabilities | | | | | |
| Accounts payable | \$ 2,165,301 | \$ 1,311,653 | \$ - | \$ 303,441 | \$ 3,780,395 |
| Accrued payroll | 5,523,557 | - | - | 35,407 | 5,558,964 |
| Unearned revenues | 66,008 | - | - | 480,617 | 546,625 |
| Total liabilities | 7,754,866 | 1,311,653 | - | 819,465 | 9,885,984 |
| Deferred inflows of resources: | | | | | |
| Advance tax collections | 6,738,122 | - | - | - | 6,738,122 |
| Unavailable resources | 303,856 | - | - | 221,049 | 524,905 |
| Total deferred inflows of resources | 7,041,978 | - | - | 221,049 | 7,263,027 |
| Fund balances: | | | | | |
| Nonspendable | 90,257 | - | - | 112,363 | 202,620 |
| Restricted | - | 5,037,323 | - | 4,065,911 | 9,103,234 |
| Committed | 25,000 | - | 4,721,261 | 1,363,854 | 6,110,115 |
| Assigned | 2,354,385 | - | - | 666,102 | 3,020,487 |
| Unassigned | 10,580,697 | - | - | - | 10,580,697 |
| Total fund balances | 13,050,339 | 5,037,323 | 4,721,261 | 6,208,230 | 29,017,153 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 27,847,183 | \$ 6,348,976 | \$ 4,721,261 | \$ 7,248,744 | \$ 46,166,164 |

See notes to financial statements.

Town of Cheshire, Connecticut

**Reconciliation of Fund Balance to Net Position of Governmental Activities
June 30, 2018**

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) | \$ 29,017,153 |
| 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. | 227,197,879 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Property tax and other receivables not currently available | 524,905 |
| Some expenses including deferred outflows/inflows reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | |
| Deferred outflows of resources - pension related items | 4,388,786 |
| Deferred outflows of resources - OPEB related items | 555 |
| Deferred inflows of resources - pension related items | (1,676,166) |
| Deferred inflows of resources - OPEB related items | (2,942,306) |
| 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 | 994,268 |
| 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 | (86,312,069) |
| Net pension liability | (36,595,233) |
| Net OPEB liability | (29,035,208) |
| Deferred loss on refunding | 1,336,098 |
| Bond premium | (3,560,680) |
| Accrued interest payable | (925,258) |
| Landfill accrual | (432,000) |
| Compensated absences | (2,903,770) |
| Claims | (430,000) |
| Capital lease | (9,873,543) |
| Early retirement | (148,508) |
| Net position of governmental activities (page13) | <u>\$ 88,624,903</u> |

See notes to financial statements.

Town of Cheshire, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

| | Major Funds | | | Nonmajor Governmental Funds | Total Governmental Funds |
|---|--------------------|---------------------------------|-------------------------|-----------------------------------|--------------------------------|
| | General Fund | Capital Improvements Fund | Debt Reserve Fund | | |
| Revenues: | | | | | |
| Property taxes | \$ 88,764,655 | \$ - | \$ - | \$ - | \$ 88,764,655 |
| Intergovernmental | 28,670,263 | 1,144,502 | - | 2,154,780 | 31,969,545 |
| Income from investments | 507,789 | - | 58,020 | 42,122 | 607,931 |
| Charges for services | 2,893,360 | - | - | 7,066,419 | 9,959,779 |
| Contributions | - | - | - | 446,825 | 446,825 |
| Other | 271,299 | - | - | 569,638 | 840,937 |
| Total revenues | 121,107,366 | 1,144,502 | 58,020 | 10,279,784 | 132,589,672 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Administration and Benefits | 12,362,605 | 10,101 | - | 14,120 | 12,386,826 |
| Planning and Development | 528,591 | - | - | 24,046 | 552,637 |
| Public Safety | 6,912,516 | - | - | 445,107 | 7,357,623 |
| Public Works | 6,043,517 | - | - | 2,268,846 | 8,312,363 |
| Public Health | 495,603 | - | - | - | 495,603 |
| Social Services | 862,945 | - | - | 153,069 | 1,016,014 |
| Cultural services | 1,911,595 | - | - | 14,168 | 1,925,763 |
| Leisure services | 1,488,947 | - | - | 7,390 | 1,496,337 |
| Education | 83,409,031 | - | - | 3,392,280 | 86,801,311 |
| Debt service | 6,591,782 | - | 2,750,019 | 1,485,819 | 10,827,620 |
| Capital outlay | - | 5,439,987 | - | 495,819 | 5,935,806 |
| Total expenditures | 120,607,132 | 5,450,088 | 2,750,019 | 8,300,664 | 137,107,903 |
| Revenues over (under) expenditures | 500,234 | (4,305,586) | (2,691,999) | 1,979,120 | (4,518,231) |
| Other financing sources (uses): | | | | | |
| Transfers in | 1,062,775 | 152,700 | 250,000 | 515,000 | 1,980,475 |
| Transfers out | (781,952) | - | - | (1,198,523) | (1,980,475) |
| Total other financing sources (uses) | 280,823 | 152,700 | 250,000 | (683,523) | - |
| Change in fund balances | 781,057 | (4,152,886) | (2,441,999) | 1,295,597 | (4,518,231) |
| Fund balances, beginning | 12,269,282 | 9,190,209 | 7,163,260 | 4,912,633 | 33,535,384 |
| Fund balances, ending | \$ 13,050,339 | \$ 5,037,323 | \$ 4,721,261 | \$ 6,208,230 | \$ 29,017,153 |

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, 2018**

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

Net change in fund balances – total governmental funds (Page 17) \$ (4,518,231)

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

| | |
|----------------------|---------------------------|
| Capital outlay | 5,767,914 |
| Depreciation expense | <u>(7,349,304)</u> |
| Total | <u><u>(1,581,390)</u></u> |

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.

(145,831)

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 | (61,897) |
| and lien revenue | <u>1,704</u> |
| Total | <u><u>(60,193)</u></u> |

Change in deferred outflows of resources: - pension and OPEB related items

| | |
|-----------------------|---------------------------|
| Pension related items | (2,094,554) |
| OPEB related items | <u>555</u> |
| Total | <u><u>(2,093,999)</u></u> |

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: | |
| Bond premium | 404,052 |
| Deferred loss | <u>(244,720)</u> |
| Principal repayments: | |
| General obligation bonds | <u>7,046,243</u> |
| Total | <u><u>7,205,575</u></u> |

(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, 2018**

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 | \$ | 224,116 |
| Early retirement | | 54,983 |
| Landfill closure | | 24,000 |
| Net pension liability | | (542,933) |
| Net OPEB liability | | 2,595,629 |
| Claims | | (430,000) |
| Capital leases | | 520,215 |
| Accrued payroll | | - |
| Accrued interest payable | | (12,246) |
| Total | | <u>2,433,764</u> |
| The change in net position of the Internal Service Fund is reported with governmental activities | | <u>(1,058,262)</u> |
| Change in deferred inflows of resources - pension and OPEB related items | | |
| Pension related items | | 2,355,575 |
| OPEB related items | | (2,942,306) |
| Total | | <u>(586,731)</u> |
| Change in net position of governmental activities (page 14) | \$ | <u>(405,298)</u> |

(Concluded)

Town of Cheshire, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2018

| | <u>Governmental Activities</u> <u>Internal Service Funds</u> |
|---------------------------|---|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 5,607,433 |
| Accounts receivable | <u>508,780</u> |
| Total assets | <u><u>6,116,213</u></u> |
| Liabilities | |
| Current liabilities: | |
| Claims payable | <u>1,663,929</u> |
| Noncurrent liabilities: | |
| Claims payable | <u>3,458,016</u> |
| Total liabilities | <u><u>5,121,945</u></u> |
| Net position: | |
| Unrestricted | <u><u>\$ 994,268</u></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, 2018

| | Governmental Activities |
|------------------------------------|-----------------------------------|
| | <u>Internal Service Funds</u> |
| Operating revenues: | |
| Charges for services | \$ 13,404,236 |
| Total operating revenues | <u>13,404,236</u> |
| Operating expenses: | |
| Claims incurred | 13,173,453 |
| Administration | <u>1,342,408</u> |
| Total operating expenses | <u>14,515,861</u> |
| Operating loss | <u>(1,111,625)</u> |
| Nonoperating revenues: | |
| Investment income | <u>53,363</u> |
| Total nonoperating revenues | <u>53,363</u> |
| Change in net position | (1,058,262) |
| Net position, beginning | <u>2,052,530</u> |
| Net position, ending | <u>\$ 994,268</u> |

See notes to financial statements.

Town of Cheshire, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018

| | Governmental Activities |
|--|-----------------------------------|
| | <u>Internal Service Funds</u> |
| Cash flows from operating activities: | |
| Receipts from charges for services | \$ 14,042,257 |
| Claims paid | (11,790,764) |
| Payments for administration | <u>(1,342,408)</u> |
| Net cash provided by operating activities | <u>909,085</u> |
| Cash flows provided by investing activities: | |
| Investment income | <u>53,363</u> |
| Net cash provided by investing activities | <u>53,363</u> |
| Net increase in cash and cash equivalents | 962,448 |
| Cash and cash equivalents: | |
| Beginning | <u>4,644,985</u> |
| Ending | <u><u>\$ 5,607,433</u></u> |
| Reconciliation of operating loss to net cash provided by operating activities: | |
| Operating loss | \$ (1,111,625) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | |
| Decrease in accounts receivable | 638,021 |
| Increase in claims payable | <u>1,382,689</u> |
| Net cash provided by operating activities | <u><u>\$ 909,085</u></u> |

See notes to financial statements.

Town of Cheshire, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

| | Trust Funds | Agency Funds |
|--|----------------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 617,049 | \$ 774,414 |
| Investments: | | |
| Common stock | 8,366,655 | - |
| Money market mutual funds | 5,776,507 | - |
| Fixed income mutual funds | 9,061,279 | - |
| Equity mutual funds | 24,105,529 | - |
| Private equity funds | 6,814,667 | - |
| Alternative investments | 19,863,170 | - |
| Total investments | 73,987,807 | - |
| Total assets | 74,604,856 | 774,414 |
| Liabilities | | |
| Accounts payable | 14,282 | 774,414 |
| Total liabilities | 14,282 | 774,414 |
| Net position, restricted for pension benefits and other postemployment benefits | \$ 74,590,574 | \$ - |

See notes to financial statements.

Town of Cheshire, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2018

| | Trust Funds |
|--|----------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 4,774,093 |
| Plan members | 704,715 |
| Total contributions | <u>5,478,808</u> |
| Investment Income: | |
| Net appreciation in fair value of investments | 4,284,768 |
| Interest and dividends | 811,577 |
| | <u>5,096,345</u> |
| Less investment expenses: | |
| Investment management fees | 200,985 |
| Net investment income | <u>4,895,360</u> |
| Total additions | 10,374,168 |
| Deductions: | |
| Benefits and other | <u>6,798,342</u> |
| Changes in net position | 3,575,826 |
| Net position, restricted for pensions and other postemployment benefits: | |
| Beginning of year | <u>71,014,748</u> |
| End of year | <u>\$ 74,590,574</u> |

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 November 7, 2017. 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:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, was implemented on July 1, 2017. This statement revised and established new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. Among other requirements, Statement No. 75 required governments to report a liability on the face of the financial statements for the OPEB that they provide: 1) 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. 2) 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. 3) Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

The effects of the implementation of this statement are disclosed in Note 17.

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, capital leases, 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 only when cash is received by the Town.

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 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 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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

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

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

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

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. Investments are reported at fair value.

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. Investments are reported at fair value.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

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, 2018, the Town had approximately \$6,227,000 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 1½ percent per month. Assessments for real and personal property, excluding motor vehicles, are computed at 70 percent 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

The pooled fixed income investments adhere to GASB Statement No. 79, "Certain External Investment Pools and Pool Participants." 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.

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 market prices as reported on the primary market or exchange on which they trade.
- Money Market Instruments - amortized cost which approximates fair value.
- Certificate of deposits with maturities from one to five years held in an investment pool are recorded at amortized cost.
- 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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.

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.

Investments measured at the net asset value (NAV): Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Town values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

See Note 2 for additional information regarding fair value.

Inventory: All inventory is 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, works of art and similar items are recorded at acquisition 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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 | 3-30 |
| Vehicles | 3-25 |

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

Compensated absences:

Town: All employees are granted vacation and/or sick time based upon contractual provisions. At anniversary year-end, unused vacation up to a maximum of 10 days may be carried forward to the next vacation year with the approval of the Town Manager. Sick time accumulates and vests based upon a sliding scale related to years of service. The maximum sick time to be paid is 33 percent of the accumulated time. A liability for amounts expected to be paid for 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. A liability for amounts expected to be paid 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 as reported include 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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.

Net OPEB liability: The net OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability), net of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB 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.

The Town also reports deferred outflows related to pension and other postemployment benefits in the government-wide statement of net position. A deferred outflow of resources related to pension and other postemployment benefits results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and other postemployment benefits expense in a systematic and rational manner.

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 and other postemployment benefits in the government-wide statement of net position. A deferred inflow of resources related to pension and other postemployment benefits 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.

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

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.

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.

As of June 30, 2018 the Town has a minimum General Fund balance policy to maintain an unassigned balance of 8 percent to 9 percent 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

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

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 percent can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Town has an investment policy for 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 percent equities (or alternative investment strategies as equivalents) and 35 percent 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 percent (at cost) or 10 percent (at market) may be invested in any one company; no more than 20 percent 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 percent of the respective Plan's net position as of June 30, 2018:

Town Pension Fund

| | | |
|-------------------------------------|----|-----------|
| First Eagle Global Fund Class I | \$ | 3,332,390 |
| FPA Crescent Portfolio Fund Class 1 | | 3,349,471 |
| Ironwood International Ltd. | | 3,379,464 |
| IVA Worldwide Fund Class I | | 3,317,264 |
| Neuberger Berman International Fund | | 2,543,636 |
| Oppenheimer International Growth | | 2,522,980 |
| Pointer | | 3,567,395 |
| SCS Opportunities | | 2,338,044 |
| Snow Capital | | 2,705,674 |
| Wedgewood Partners | | 2,787,700 |

Police Pension Fund

| | | |
|-------------------------------------|--|-----------|
| First Eagle Global Fund Class I | | 1,979,003 |
| FPA Crescent Portfolio Fund Class 1 | | 1,989,147 |
| Ironwood International Ltd. | | 2,006,959 |
| IVA Worldwide Fund Class I | | 1,970,020 |
| Neuberger Berman International Fund | | 1,510,586 |
| Oppenheimer International Growth | | 1,498,320 |
| Pointer | | 2,118,566 |
| SCS Opportunities | | 1,388,491 |
| Snow Capital | | 1,606,816 |
| Wedgewood Partners | | 1,655,529 |

Volunteer Firefighters' Pension

| | | |
|--|--|---------|
| FPA Crescent Portfolio Fund Class I | | 283,148 |
| IVA Worldwide Fund Class I | | 256,321 |
| Loomis Sayles Bond Fund | | 104,592 |
| Metro West Total Return Class I | | 96,926 |
| PIMCO All Asset Authority | | 194,746 |
| Vanguard International Equity Index Fund | | 304,815 |
| Vanguard 500 Large Cap Index Fund | | 576,177 |

Police Post-Employment Healthcare Fund

| | | |
|--|----|---------|
| FPA Crescent Portfolio Fund Class I | \$ | 54,968 |
| IVA Worldwide Fund Class I | | 49,499 |
| Loomis Sayles Bond Fund | | 20,084 |
| Metro West Total Return Bond Class I | | 19,816 |
| PIMCO All Asset Authority | | 37,386 |
| Vanguard International Equity Index Fund | | 58,229 |
| Vanguard 500 Large Cap Index Fund | | 114,514 |

Other Post-Employment Healthcare Fund

| | | |
|--|--|---------|
| FPA Crescent Portfolio Fund Class I | | 97,108 |
| IVA Worldwide Fund Class I | | 89,131 |
| Loomis Sayles Bond Fund | | 35,432 |
| Metro West Total Return Bond Class I | | 31,662 |
| PIMCO All Asset Authority | | 65,825 |
| Vanguard International Equity Index Fund | | 107,004 |
| Vanguard 500 Large Cap Index Fund | | 193,334 |

Town of Cheshire, Connecticut

Notes to Financial Statements

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

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, 2018, approximately \$26,033,000 of the Town's approximate bank balance of \$30,449,000 was uninsured and uncollateralized.

Cash, restricted cash and investments of the Town, Pension and OPEB trust funds consist of the following at June 30, 2018:

| | |
|---|-----------------------|
| Cash, restricted cash and cash equivalents: | |
| Deposits with financial institutions | \$ 21,144,091 |
| State of Connecticut Short-Term Investment Fund | 21,559,128 |
| Total cash, restricted cash and cash equivalents | <u>42,703,219</u> |
| Investments: | |
| General Fund: | |
| Certificates of deposit | 8,321,000 |
| Special Revenue Funds: | |
| Certificates of deposit | 739,000 |
| Permanent Funds: | |
| Certificates of deposit | 50,000 |
| Total governmental funds investments | <u>9,110,000</u> |
| Pension and OPEB Trust Funds: | |
| Common stocks | 8,366,655 * |
| Money market mutual funds | 5,776,507 |
| Fixed income mutual funds | 9,061,279 |
| Equity mutual funds | 24,105,529 |
| Private equity funds | 6,814,667 |
| Alternative investments | 19,863,170 |
| Total pension and OPEB investments | <u>73,987,807</u> |
| Total investments | <u>83,097,807</u> |
| Total cash, restricted cash, cash equivalents and investments | <u>\$ 125,801,026</u> |

* These investments are uninsured, with securities held by the counterparty, but in the Town's, or the Pension Plan's name.

Town of Cheshire, Connecticut

Notes to Financial Statements

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

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

Statement of Net Position:

| | |
|--------------------------------------|-------------------|
| Cash and cash equivalents | \$ 35,084,258 |
| Investments | 9,110,000 |
| Restricted cash and cash equivalents | 6,227,498 |
| | <u>50,421,756</u> |

Fiduciary Funds:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | 1,391,463 |
| Investments | 73,987,807 |
| | <u>75,379,270</u> |

| | |
|---|-----------------------|
| Total cash, restricted cash, cash equivalents and investments | <u>\$ 125,801,026</u> |
|---|-----------------------|

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 |
| Money market mutual funds | \$ 5,776,507 | \$ 5,776,507 | \$ - |
| Fixed income mutual funds | 9,061,279 | - | 9,061,279 |
| Total | <u>\$ 14,837,786</u> | <u>\$ 5,776,507</u> | <u>\$ 9,061,279</u> |

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 | Money Market Mutual Funds | Fixed Income Mutual Fund |
|-------------------|---------------------------|--------------------------|
| Unrated | \$ 5,776,507 | \$ 9,061,279 |
| | <u>\$ 5,776,507</u> | <u>\$ 9,061,279</u> |

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, 2018:

| | June 30, 2018 | 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) |
| Investments by fair value level: | | | | |
| Common stocks | \$ 8,366,655 | \$ 8,366,655 | \$ - | \$ - |
| Money market mutual funds | 5,776,507 | 5,776,507 | - | - |
| Fixed income mutual funds | 9,061,279 | 9,061,279 | - | - |
| Equity mutual funds | 24,105,529 | 24,105,529 | - | - |
| Total investments by fair value level | 47,309,970 | 47,309,970 | - | - |
| Investments measured by the net asset level (NAV): | | | | |
| Equity long/short hedge funds | 5,685,961 | | | |
| Multi-strategy hedge funds | 9,112,958 | | | |
| Global opportunities hedge funds | 3,776,674 | | | |
| Other alternative investments | 1,287,577 | | | |
| Total investments measured by the NAV | 19,863,170 | | | |
| Total investments at fair value | \$ 67,173,140 | | | |
| Other investments not subject to fair value measurement: | | | | |
| Certificates of deposit | 9,110,000 | | | |
| Total investments | \$ 76,283,140 | | | |

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

Town of Cheshire, Connecticut

Notes to Financial Statements

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

Investments measured by 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:

| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---------------------------------------|----------------------|----------------------|--|--------------------------|
| Investments Measured by the NAV: | | | | |
| Equity long/short hedge funds | \$ 5,685,961 | \$ - | Semi-Annually ⁽¹⁾ | 105 days |
| Multi-strategy hedge funds | 9,112,958 | - | Quarterly | 65-95 days |
| Global opportunities hedge funds | 3,776,674 | - | Daily/Quarterly | 1-30 days |
| Other alternative investments | 1,287,577 | - | Daily | Daily |
| Private equity funds | 6,814,667 | 1,028,831 | N/A | N/A |
| Total investments measured at the NAV | <u>\$ 26,677,837</u> | | | |

⁽¹⁾ Eligible September 2018

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.

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.

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 (advance tax collections only) are as follows:

| | Deferred Inflows | Unearned Revenue |
|---|---------------------|---------------------|
| Delinquent property taxes receivable (general fund) | \$ 303,856 | \$ - |
| Special assessments not yet due (special revenue fund) | 163,555 | - |
| Advance tax collections | 6,738,122 | - |
| Sewer usage | 57,494 | - |
| Grant drawdowns prior to meeting all eligibility requirements | - | 546,625 |
| | <hr/> | <hr/> |
| Total | <u>\$ 7,263,027</u> | <u>\$ 546,625</u> |

Note 4. Interfund Transfers

At June 30, 2018, Interfund transfers during the year ended June 30, 2018 were as follows:

| | Transfers In | Transfers Out |
|-----------------------------|---------------------|---------------------|
| General Fund | \$ 1,062,775 | \$ 781,952 |
| Capital Improvement Fund | 152,700 | - |
| Debt Reserve Fund | 250,000 | - |
| Nonmajor Governmental Funds | 515,000 | 1,198,523 |
| | <hr/> | <hr/> |
| | <u>\$ 1,980,475</u> | <u>\$ 1,980,475</u> |

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 24,459,207 | \$ - | \$ - | \$ 24,459,207 |
| Construction in progress | 2,342,649 | 5,298,529 | 5,153,698 | 2,487,480 |
| Total capital assets, not being depreciated | <u>26,801,856</u> | <u>5,298,529</u> | <u>5,153,698</u> | <u>26,946,687</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 6,512,054 | 273,232 | - | 6,785,286 |
| Buildings and improvements | 168,914,236 | 942,389 | 12,010 | 169,844,615 |
| Vehicles | 11,813,243 | 372,351 | 385,492 | 11,800,102 |
| Machinery and equipment | 13,993,991 | 258,984 | 327,971 | 13,925,004 |
| Infrastructure | 109,693,672 | 3,776,127 | - | 113,469,799 |
| Total capital assets being depreciated | <u>310,927,196</u> | <u>5,623,083</u> | <u>725,473</u> | <u>315,824,806</u> |
| Governmental activities capital assets | <u>337,729,052</u> | <u>10,921,612</u> | <u>5,879,171</u> | <u>342,771,493</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,729,842 | 229,735 | - | 1,959,577 |
| Buildings and improvements | 52,552,184 | 3,620,204 | 11,329 | 56,161,059 |
| Vehicles | 6,169,286 | 589,738 | 288,550 | 6,470,474 |
| Machinery and equipment | 7,866,330 | 978,478 | 279,763 | 8,565,045 |
| Infrastructure | 40,486,310 | 1,931,149 | - | 42,417,459 |
| Total accumulated depreciation | <u>108,803,952</u> | <u>7,349,304</u> | <u>579,642</u> | <u>115,573,614</u> |
| Total capital assets, being depreciated, net | <u>202,123,244</u> | <u>(1,726,221)</u> | <u>145,831</u> | <u>200,251,192</u> |
| Governmental activities capital assets, net | <u>\$ 228,925,100</u> | <u>\$ 3,572,308</u> | <u>\$ 5,299,529</u> | <u>\$ 227,197,879</u> |

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

| | |
|----------------------------|---------------------|
| Administration and finance | \$ 585,312 |
| Public safety | 630,083 |
| Public works | 3,579,523 |
| Social services | 91,088 |
| Cultural services | 102,863 |
| Leisure services | 371,542 |
| Education | 1,988,893 |
| Total depreciation expense | <u>\$ 7,349,304</u> |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2018 was as follows:

Changes in Long-Term Obligations

| Description | Original Amount | Date of Issue | Date of Maturity | Interest Rate | Balance July 1, 2017** | Additions | Deductions | Balance June 30, 2018 | Due in Less Than One Year |
|------------------------|-----------------|---------------|------------------|---------------|------------------------|-----------|-------------|-----------------------|---------------------------|
| Bonds/Notes | | | | | | | | | |
| Schools: | | | | | | | | | |
| School refunding bonds | 675,000 | 06/02/10 | 08/01/22 | 3.00-5.00% | \$ 310,000 | \$ - | \$ (56,000) | \$ 254,000 | \$ 51,000 |
| School refunding bonds | 1,085,000 | 06/02/10 | 08/01/22 | 2.00-5.00% | 478,000 | - | (121,000) | 357,000 | 119,000 |
| School bonds | 2,149,000 | 02/15/11* | 07/15/30 | 2.75-4.25% | 225,000 | - | (115,000) | 110,000 | 110,000 |
| School refunding bonds | 1,411,000 | 06/21/12 | 08/01/26 | 0.20-4.00% | 1,116,000 | - | (68,000) | 1,048,000 | 66,000 |
| School bonds | 3,546,803 | 02/28/13* | 07/15/32 | 3.00-4.00% | 2,983,000 | - | (187,000) | 2,796,000 | 187,000 |
| School refunding bonds | 2,880,000 | 05/07/14 | 08/01/21 | 2.00 - 4.00% | 1,704,000 | - | (546,000) | 1,158,000 | 533,000 |
| School bonds | 2,909,732 | 02/26/15* | 07/15/34 | 2.00 - 5.00% | 2,758,000 | - | (153,000) | 2,605,000 | 153,000 |
| School refunding bonds | 980,000 | 03/13/15 | 01/15/29 | 2.00 - 5.00% | 938,000 | - | (77,000) | 861,000 | 77,000 |
| School refunding bonds | 1,476,000 | 03/31/16 | 07/15/30 | 2.00 - 4.00% | 1,418,000 | - | - | 1,418,000 | - |
| School bonds | 2,985,000 | 03/06/17* | 07/15/36 | 2.00 - 5.00% | 2,985,000 | - | - | 2,985,000 | 158,000 |
| Subtotal | | | | | 14,915,000 | - | (1,323,000) | 13,592,000 | 1,454,000 |
| Bond premium | | | | | 941,914 | - | (101,118) | 840,796 | - |
| Total schools | | | | | 15,856,914 | - | (1,424,118) | 14,432,796 | 1,454,000 |
| Sewer: ⁽¹⁾ | | | | | | | | | |
| WWTP notes | 5,086,640 | 09/28/07 | 09/28/27 | 2.00% | 2,782,278 | - | (261,064) | 2,521,214 | 266,334 |
| WWTP notes | 969,061 | 09/28/07 | 09/28/27 | 2.00% | 797,249 | - | (74,806) | 722,443 | 76,317 |
| WWTP notes | 24,428,785 | 07/01/17 | 01/01/37 | 2.00% | 24,428,785 | - | (1,730,373) | 22,698,412 | 1,221,439 |
| Sewer refunding bonds | 1,459,000 | 06/02/10 | 08/01/22 | 3.00-5.00% | 697,000 | - | (117,000) | 580,000 | 117,000 |
| Sewer bonds | 1,809,200 | 02/15/11* | 07/15/30 | 2.75-4.25% | 190,000 | - | (95,000) | 95,000 | 95,000 |
| Sewer refunding bonds | 568,000 | 06/21/12 | 08/01/26 | 0.20-4.00% | 387,000 | - | (41,000) | 346,000 | 41,000 |
| Sewer bonds | 265,000 | 02/28/13* | 07/15/32 | 3.00-4.00% | 224,000 | - | (14,000) | 210,000 | 14,000 |
| Sewer refunding bonds | 428,000 | 05/07/14 | 08/01/21 | 2.00-4.00% | 215,000 | - | (94,000) | 121,000 | 92,000 |
| Sewer bonds | 46,000 | 02/26/15* | 07/15/34 | 2.00-5.00% | 43,000 | - | (3,000) | 40,000 | 3,000 |
| Sewer refunding bonds | 1,008,000 | 03/13/15 | 01/15/29 | 2.00-5.00% | 963,000 | - | (82,000) | 881,000 | 82,000 |
| Sewer refunding bonds | 1,238,000 | 03/31/16 | 07/15/30 | 2.00 - 4.00% | 1,191,000 | - | - | 1,191,000 | - |
| Sewer bonds | 250,000 | 03/06/17* | 07/15/36 | 2.00 - 5.00% | 2,500,000 | - | - | 2,500,000 | 134,000 |
| Subtotal | | | | | 34,418,312 | - | (2,512,243) | 31,906,069 | 2,142,090 |
| Bond premium | | | | | 418,024 | - | (40,196) | 377,828 | - |
| Total sewer | | | | | 34,836,336 | - | (2,552,439) | 32,283,897 | 2,142,090 |

(Continued)

**Amounts restated due to implementation of GASB Statement No. 75.

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 July 1, 2017** | Additions | Deductions | Balance June 30, 2018 | Due in Less Than One Year |
|--|-----------------|---------------|------------------|---------------|------------------------|---------------------|------------------------|-----------------------|---------------------------|
| Bonds/Notes, Continued | | | | | | | | | |
| General purpose: ⁽²⁾ | | | | | | | | | |
| Improvement refunding bonds | 3,881,000 | 06/02/10 | 08/01/22 | 3.00-5.00% | \$ 1,858,000 | \$ - | \$ (312,000) | \$ 1,546,000 | \$ 312,000 |
| Improvement refunding bonds | 1,560,000 | 06/02/10 | 08/01/22 | 2.00-5.00% | 687,000 | - | (174,000) | 513,000 | 171,000 |
| Improvement bonds | 4,716,800 | 02/15/11* | 07/15/30 | 2.75-4.25% | 500,000 | - | (250,000) | 250,000 | 250,000 |
| Improvement refunding bonds | 3,676,000 | 06/21/12 | 08/01/26 | 0.20-4.00% | 2,727,000 | - | (216,000) | 2,511,000 | 213,000 |
| Improvement bonds | 6,688,197 | 02/28/13* | 07/15/32 | 3.00-4.00% | 5,628,000 | - | (354,000) | 5,274,000 | 354,000 |
| Improvement refunding bonds | 6,252,000 | 05/07/14 | 08/01/21 | 2.00-4.00% | 3,251,000 | - | (1,040,000) | 2,211,000 | 1,020,000 |
| Improvement bonds | 12,044,268 | 02/26/15* | 07/15/34 | 2.00-5.00% | 11,409,000 | - | (634,000) | 10,775,000 | 634,000 |
| Improvement refunding bonds | 2,977,000 | 03/13/15 | 01/15/29 | 2.00-5.00% | 2,849,000 | - | (231,000) | 2,618,000 | 231,000 |
| Improvement refunding bonds | 3,226,000 | 03/31/16 | 7/15/30 | 2.00 - 4.00% | 3,101,000 | - | - | 3,101,000 | - |
| Improvement bonds | 12,015,000 | 03/06/17* | 07/15/36 | 2.00 - 5.00% | 12,015,000 | - | - | 12,015,000 | 633,000 |
| Subtotal | | | | | 44,025,000 | - | (3,211,000) | 40,814,000 | 3,818,000 |
| Bond premium | | | | | 2,604,794 | - | (262,738) | 2,342,056 | - |
| Total general purpose | | | | | 46,629,794 | - | (3,473,738) | 43,156,056 | 3,818,000 |
| Total bonds and notes | | | | | 97,323,044 | - | (7,450,295) | 89,872,749 | 7,414,090 |
| Net pension liability | | | | | 36,052,300 | 542,933 | - | 36,595,233 | - |
| Net OPEB liability ** | | | | | 31,630,837 | - | (2,595,629) | 29,035,208 | - |
| Landfill closure/post closure care costs | | | | | 456,000 | - | (24,000) | 432,000 | 24,000 |
| Compensated absences | | | | | 3,127,886 | 26,396 | (250,512) | 2,903,770 | 580,754 |
| Heart and hypertension | | | | | 2,460,899 | 2,026,407 | (462,554) | 4,024,752 | 566,735 |
| Claims | | | | | - | 430,000 | - | 430,000 | 430,000 |
| Capital leases | | | | | 10,393,758 | - | (520,215) | 9,873,543 | 555,946 |
| Early retirement | | | | | 203,491 | 34,800 | (89,783) | 148,508 | 87,486 |
| Total general long-term obligations | | | | | <u>\$ 181,648,215</u> | <u>\$ 3,060,536</u> | <u>\$ (11,392,988)</u> | <u>\$ 173,315,763</u> | <u>\$ 9,659,011</u> |

* Bonds have callable features.

** Amounts restated due to implementation of GASB Statement No. 75.

(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 | Total |
|-----------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | \$ 5,850,000 | \$ 1,967,506 | \$ 1,564,090 | \$ 504,515 | \$ 7,414,090 | \$ 2,472,021 |
| 2020 | 5,295,000 | 1,762,038 | 1,571,006 | 473,170 | 6,866,006 | 2,235,208 |
| 2021 | 4,615,000 | 1,577,918 | 1,578,062 | 441,686 | 6,193,062 | 2,019,604 |
| 2022 | 4,615,000 | 1,395,069 | 1,585,260 | 410,059 | 6,200,260 | 1,805,128 |
| 2023 | 4,220,000 | 1,206,169 | 1,592,603 | 378,286 | 5,812,603 | 1,584,455 |
| 2024-2028 | 17,450,000 | 4,006,818 | 7,567,030 | 1,415,496 | 25,017,030 | 5,422,314 |
| 2029-2033 | 13,075,000 | 1,742,575 | 6,107,195 | 748,132 | 19,182,195 | 2,490,707 |
| 2034-2038 | 5,250,000 | 285,726 | 4,376,823 | 160,482 | 9,626,823 | 446,208 |
| | <u>\$ 60,370,000</u> | <u>\$ 13,943,819</u> | <u>\$ 25,942,069</u> | <u>\$ 4,531,826</u> | <u>\$ 86,312,069</u> | <u>\$ 18,475,645</u> |

Prior year's debt defeasance: In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At June 30, 2018, the Town's bonds outstanding that are considered defeased is \$5,536,316.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2018 consists of the following:

| | |
|-----------------|----------------------|
| General purpose | \$ 8,430,099 |
| Schools | 3,332,571 |
| Sewers | 2,041,639 |
| | <u>\$ 13,804,310</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 | \$ 199,288,393 | \$ 49,244,100 | \$ 150,044,293 |
| Unfunded pension benefit obligation | 265,717,857 | - | 265,717,857 |
| Schools | 398,576,786 | 16,862,674 | 381,714,112 |
| Sewers | 332,147,321 | 33,947,708 | 298,199,613 |
| Urban renewal | 265,717,857 | - | 265,717,857 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$620,008,333.

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, 2018 was \$32,294. Additional payments for principal and interest aggregating \$65,209 are to be received through the bonds' maturity dates.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

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, 2018, both landfill sites have been closed.

The projected liability reported at June 30, 2018 is estimated at \$432,000. The monitoring costs are based on what it would cost to perform all post-closure care at 2018 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 | 2006 | <u>\$ 24,000</u> | 18 | <u>\$ 432,000</u> | \$ 24,000 | \$ 408,000 |

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 percent 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 percent 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:

Fiscal Year

| | |
|---|---------------------|
| 2019 | \$ 853,129 |
| 2020 | 874,051 |
| 2021 | 895,600 |
| 2022 | 917,797 |
| 2023 | 940,659 |
| Thereafter 2024-2031 | <u>7,628,402</u> |
| Total minimum lease payments | 12,109,638 |
| Less amount representing interest | <u>(2,236,095)</u> |
| Present value of minimum lease payments | <u>\$ 9,873,543</u> |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

The assets acquired through these capital leases through June 30, 2018 were as follows:

| | Amount |
|-------------------------------|--------------|
| Asset class: | |
| Building and improvements | \$ 9,920,814 |
| Machinery and equipment | 115,689 |
| Infrastructure | 1,187,369 |
| Less accumulated depreciation | (1,960,214) |
| Net book value | \$ 9,263,658 |

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.

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

- The regular members of the Board are 5 resident electors of the Town. They are appointed by the Town Council and serve four-year terms.
- Police members are 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 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, 2016, membership consisted of:

| Category | Town | Police | Volunteer Firefighter |
|---|------|--------|--------------------------|
| Retirees and beneficiaries currently receiving benefits | 202 | 47 | 18 |
| Terminated employees entitled to benefits, but not yet receiving them | 78 | 1 | 58 ⁽¹⁾ |
| Active plan members | 227 | 37 | 62 |
| | 507 | 85 | 138 |

(1) Volunteer firefighter count includes terminated volunteers and associate and lifetime members who are no longer active members but still affiliated with the volunteer organization.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Town plan: This plan covers all regular full-time employees except teachers covered by the Connecticut Teachers' Retirement System and policemen. Employees are 100 percent 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 latest valuation reflected no changes in plan provisions.

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.

The latest valuation reflected no changes in plan provisions.

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

The valuation date July 1, 2016 reflects changes made to the plan provisions.

The Plan was amended to change the actuarial funding method from the Projected Unit Credit to the Unit Credit Cost method in order to produce more consistent liabilities for the Plan. The Plan was also amended to update the COLA assumption to apply to all future retirees, immediately following benefit commencement. The combined impact on these changes increased the Unfunded Accrued Liability by approximately \$236,000, and decreased the Actuarially Determined Contribution by approximately \$4,000.

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

| Town | Police | Volunteer Firefighters |
|--------------------|--------|------------------------|
| Plan A - 3.5% - 4% | 8.00% | None |
| Plan B - 1.5% - 2% | - | - |

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

| Town | Police | Volunteer Firefighters |
|-------|--------|------------------------|
| 6.88% | 6.76% | 6.00% |

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, 2018 were as follows:

| Net Pension Liability | Town | Police | Volunteer Firefighters |
|---|---------------|---------------|------------------------|
| Total pension liability | \$ 58,928,054 | \$ 47,410,987 | \$ 3,832,633 |
| Fiduciary net position | 44,964,390 | 26,744,205 | 1,867,846 |
| Net pension liability | \$ 13,963,664 | \$ 20,666,782 | \$ 1,964,787 |
| Fiduciary net position as a percentage of total pension liability | 76.30% | 56.41% | 48.74% |
| Covered payroll | 12,298,389 | 3,673,204 | N/A |
| Net pension liability as a percentage of covered payroll | 113.54% | 562.64% | N/A |

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2016, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2018. There have been no significant changes between the valuation date and the fiscal year-end.

| | Town | Police | Volunteer Firefighters |
|--|---|---|--|
| Valuation date | July 1, 2016 | July 1, 2016 | July 1, 2016 |
| Measurement date | June 30, 2018 | June 30, 2018 | June 30, 2018 |
| Inflation | 2.75% | 2.75% | 2.75% |
| Discount rate | 7.50% | 7.50% | 7.50% |
| Long-term expected rate of return, net of investment expense | 7.50% | 7.50% | 7.50% |
| Municipal bond rate | N/A | N/A | N/A |
| Salary increases including inflation | Rates based on age RP-2000 mortality table for employees and healthy annuitants, with generational projection per scale AA. | Rates based on age RP-2000 mortality table for blue-collar employees and healthy annuitants, with generational projection per scale AA. | N/A |
| Mortality | | | 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 percent. 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.

Town plan:

| | Increase (Decrease) | | |
|-------------------------------------|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)+(b) |
| Balances as of July 1, 2017 | \$ (56,432,119) | \$ 42,781,527 | \$ (13,650,592) |
| Changes for the year: | | | |
| Service cost | (1,183,832) | - | (1,183,832) |
| Interest on total pension liability | (4,214,330) | - | (4,214,330) |
| Benefit payments | 2,902,227 | (2,902,227) | - |
| Administrative expenses | - | (42,397) | (42,397) |
| Member contributions | - | 330,211 | 330,211 |
| Expected Net investment income | - | 3,179,639 | 3,179,639 |
| Investment gains or losses | - | (207,736) | (207,736) |
| Employer contributions | - | 1,825,373 | 1,825,373 |
| Net changes | (2,495,935) | 2,182,863 | (313,072) |
| Balances as of June 30, 2018 | \$ (58,928,054) | \$ 44,964,390 | \$ (13,963,664) |

Police plan:

| | Increase (Decrease) | | |
|-------------------------------------|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)+(b) |
| Balances as of July 1, 2017 | \$ (46,084,597) | \$ 25,684,005 | \$ (20,400,592) |
| Changes for the year: | | | |
| Service cost | (731,927) | - | (731,927) |
| Interest on total pension liability | (3,421,075) | - | (3,421,075) |
| Effect of plan changes | 377,982 | - | 377,982 |
| Benefit payments | 2,448,630 | (2,448,630) | - |
| Administrative expenses | - | (21,778) | (21,778) |
| Member contributions | - | 320,955 | 320,955 |
| Expected Net investment income | - | 1,901,394 | 1,901,394 |
| Investment gains or losses | - | (144,506) | (144,506) |
| Employer contributions | - | 1,452,765 | 1,452,765 |
| Net changes | (1,326,390) | 1,060,200 | (266,190) |
| Balances as of June 30, 2018 | \$ (47,410,987) | \$ 26,744,205 | \$ (20,666,782) |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Volunteer Firefighter plan:

| | Increase (Decrease) | | |
|-------------------------------------|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)+(b) |
| Balances as of July 1, 2017 | \$ (3,666,882) | \$ 1,665,766 | \$ (2,001,116) |
| Changes for the year: | | | |
| Service cost | (43,851) | - | (43,851) |
| Interest on total pension liability | (272,750) | - | (272,750) |
| Benefit payments | 150,850 | (150,850) | - |
| Administrative expenses | - | (14,306) | (14,306) |
| Member contributions | - | - | - |
| Expected Net investment income | - | 128,397 | 128,397 |
| Investment gains or losses | - | (18,318) | (18,318) |
| Employer contributions | - | 257,157 | 257,157 |
| Net changes | (165,751) | 202,080 | 36,329 |
| Balances as of June 30, 2018 | \$ (3,832,633) | \$ 1,867,846 | \$ (1,964,787) |

Sensitivity analysis: The following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|-------------------------------|-------------------------|-----------------------------------|-------------------------|
| Town | | | |
| Net pension liability | \$ 19,640,123 | \$ 13,963,664 | \$ 9,073,292 |
| Police | | | |
| Net pension liability | \$ 26,793,072 | \$ 20,666,782 | \$ 15,601,489 |
| Volunteer Firefighters | | | |
| Net pension liability | \$ 2,514,997 | \$ 1,964,787 | \$ 1,508,891 |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

For the fiscal year ended June 30, 2018, the recognized pension expense is as follows:

| | Town | Police | Volunteer Firefighters |
|-----------------|--------------|--------------|---------------------------|
| Pension expense | \$ 1,003,499 | \$ 2,596,651 | \$ 217,057 |

As of June 30, 2018, 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 | \$ 1,850,825 | \$ 1,209,722 | \$ 22,626 | \$ 3,083,173 |
| Changes of assumptions | - | - | 75,891 | 75,891 |
| Difference between expected and actual experience | - | 1,229,722 | - | 1,229,722 |
| Total | <u>\$ 1,850,825</u> | <u>\$ 2,439,444</u> | <u>\$ 98,517</u> | <u>\$ 4,388,786</u> |

| | Deferred Inflows of Resources | | | |
|--|-------------------------------|---------------------|---------------------------|-----------------------|
| | Town | Police | Volunteer Firefighters | Total |
| Differences between expected and actual experience | \$ (889,951) | \$ - | \$ (162,612) | \$ (1,052,563) |
| Changes of assumptions | (243,739) | (379,864) | - | (623,603) |
| Total | <u>\$ (1,133,690)</u> | <u>\$ (379,864)</u> | <u>\$ (162,612)</u> | <u>\$ (1,676,166)</u> |
| Net deferred outflows (inflows) | <u>\$ 717,135</u> | <u>\$ 2,059,580</u> | <u>\$ (64,095)</u> | <u>\$ 2,712,620</u> |

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 Ending June 30, | Town | Police | Volunteer Firefighters | Total |
|----------------------|-------------------|---------------------|---------------------------|---------------------|
| 2019 | \$ 292,333 | \$ 1,022,201 | \$ 14,546 | \$ 1,329,080 |
| 2020 | 542,139 | 701,664 | (4,982) | 1,238,821 |
| 2021 | (158,885) | 145,556 | (24,048) | (37,377) |
| 2022 | 41,548 | 190,159 | (7,211) | 224,496 |
| 2023 | - | - | (10,873) | (10,873) |
| Thereafter | - | - | (31,527) | (31,527) |
| Total | <u>\$ 717,135</u> | <u>\$ 2,059,580</u> | <u>\$ (64,095)</u> | <u>\$ 2,712,620</u> |

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, 2017, 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 | 0.52% | 0.51% |
| Intermediate - Term Bonds | 2.20% | 2.09% |
| Broad U.S. Equities | 4.86% | 3.57% |
| Developed Foreign Equities | 6.06% | 4.35% |
| Assumed Inflation - Mean | 2.75% | 2.75% |
| Assumed Inflation - Standard Deviation | 1.85% | 1.85% |
| Portfolio Real Mean Return | 4.15% | 3.55% |
| Portfolio Nominal Mean Return | 6.92% | 6.38% |
| Portfolio Standard Deviation | | 10.88% |
| 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, 2018

| | 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 | \$ 300,105 | \$ 219,660 | \$ 53,291 | \$ 35,770 | \$ 8,223 | \$ 617,049 |
| | 300,105 | 219,660 | 53,291 | 35,770 | 8,223 | 617,049 |
| Investments: | | | | | | |
| Common stock | 5,249,274 | 3,117,381 | - | - | - | 8,366,655 |
| Money market mutual funds | 3,429,515 | 2,036,682 | 201,631 | 39,039 | 69,640 | 5,776,507 |
| Fixed income mutual funds | 5,393,746 | 3,203,179 | 303,311 | 59,472 | 101,571 | 9,061,279 |
| Equity mutual funds | 13,918,153 | 8,265,559 | 1,250,281 | 244,164 | 427,372 | 24,105,529 |
| Private equity funds | 4,275,550 | 2,539,117 | - | - | - | 6,814,667 |
| Alternative investments | 12,403,111 | 7,365,823 | 61,502 | 11,821 | 20,913 | 19,863,170 |
| Total investments | 44,669,349 | 26,527,741 | 1,816,725 | 354,496 | 619,496 | 73,987,807 |
| Total assets | 44,969,454 | 26,747,401 | 1,870,016 | 390,266 | 627,719 | 74,604,856 |
| Liabilities | | | | | | |
| Accounts payable | 5,064 | 3,196 | 2,170 | 1,914 | 1,938 | 14,282 |
| Net position - restricted for pension benefits and other postemployment benefits | \$ 44,964,390 | \$ 26,744,205 | \$ 1,867,846 | \$ 388,352 | \$ 625,781 | \$ 74,590,574 |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

Schedule of Changes in Plan Net Position
Year Ended June 30, 2018

| | 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 | \$ 1,825,373 | \$ 1,452,765 | \$ 257,157 | \$ 505,276 | \$ 733,522 | \$ 4,774,093 |
| Employee contributions | 330,211 | 320,955 | - | 53,549 | - | 704,715 |
| Total additions | 2,155,584 | 1,773,720 | 257,157 | 558,825 | 733,522 | 5,478,808 |
| Investment Income: | | | | | | |
| Net appreciation in fair value of investments | 2,621,117 | 1,552,061 | 73,233 | 11,513 | 26,844 | 4,284,768 |
| Interest and dividends | 469,708 | 282,636 | 39,066 | 6,974 | 13,193 | 811,577 |
| | 3,090,825 | 1,834,697 | 112,299 | 18,487 | 40,037 | 5,096,345 |
| Less investment expenses: | | | | | | |
| Investment management fees | 118,922 | 77,809 | 2,220 | 1,339 | 695 | 200,985 |
| Net investment earnings | 2,971,903 | 1,756,888 | 110,079 | 17,148 | 39,342 | 4,895,360 |
| Total additions | 5,127,487 | 3,530,608 | 367,236 | 575,973 | 772,864 | 10,374,168 |
| Deductions: | | | | | | |
| Benefits | 2,902,227 | 2,448,630 | 150,850 | 446,754 | 733,522 | 6,681,983 |
| Contribution refunds | - | - | - | 21,201 | - | 21,201 |
| Administration | 42,397 | 21,778 | 14,306 | 8,860 | 7,817 | 95,158 |
| Total deductions | 2,944,624 | 2,470,408 | 165,156 | 476,815 | 741,339 | 6,798,342 |
| Change in net position | 2,182,863 | 1,060,200 | 202,080 | 99,158 | 31,525 | 3,575,826 |
| Net position, restricted for pensions and other postemployment benefits: | | | | | | |
| Beginning of year | 42,781,527 | 25,684,005 | 1,665,766 | 289,194 | 594,256 | \$ 71,014,748 |
| End of year | \$ 44,964,390 | \$ 26,744,205 | \$ 1,867,846 | \$ 388,352 | \$ 625,781 | \$ 74,590,574 |

Aggregate pension plans:

| | Net Pension Liability | Pension Expense | Deferred Inflows | Deferred Outflows |
|-----------------------------|-----------------------|-----------------|------------------|-------------------|
| Town plan | \$ 13,963,664 | \$ 1,003,499 | \$ (1,133,690) | \$ 1,850,825 |
| Police plan | 20,666,782 | 2,596,651 | (379,864) | 2,439,444 |
| Volunteer Firefighters plan | 1,964,787 | 217,057 | (162,612) | 98,517 |
| Total | \$ 36,595,233 | \$ 3,817,207 | \$ (1,676,166) | \$ 4,388,786 |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

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.

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 \$12,736,887 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 percent of the average annual salary times the years of credited service (maximum benefit is 75 percent 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 percent of average annual salary times credited service to date of disability, but not less than 15 percent of average annual salary, nor more than 50 percent 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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

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 percent 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 percent of salary for the pension benefit. For the 2017/2018 school year, \$8,254,318 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 \$34,901,983.

Actuarial assumptions: The actuarial assumptions used in the June 30, 2017 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, 2017, using the following key actuarial assumptions:

| | |
|--|-------------------|
| Inflation | 2.75 Percent |
| Salary increases, including inflation | 3.25-6.50 Percent |
| Long-term investment rate of return, net of pension investment expense, including inflation | 8.00 Percent |

For healthy retirees and beneficiaries, the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

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.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

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% | 5.8% |
| Developed Non-U.S. | 18% | 6.6% |
| Emerging Markets (non-U.S.) | 9% | 8.3% |
| Core Fixed Income | 7% | 1.3% |
| Inflation Linked Bond Fund | 3% | 1.0% |
| Emerging Market Bond | 5% | 3.7% |
| High Yield Bonds | 5% | 3.9% |
| Real Estate | 7% | 5.1% |
| Private Equity | 11% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Cash | 6% | 0.4% |
| Total | <u>100%</u> | |

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. 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 Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

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 \$110,113,252 and 100 percent of the collective net pension liability is allocated to the State.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 7. Employee Retirement Systems (Continued)

June 30, 2017 is the actuarial valuation date upon which the total pension liability is based. Since the prior valuation, the State adopted new assumptions based on the 2016 Experience Study. The changes in assumptions are summarized below:

Economic assumptions:

1. Reduce the inflation assumption from 3.00% to 2.75%.
2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%
4. Slightly modify the merit portion of the salary scale.
5. Reduce the payroll growth assumption from 3.75% to 3.25%.

Demographic assumptions:

6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
8. Increase rates of withdrawal.
9. Decrease rates of disability for males.

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 \$12,736,887 for the year ended June 30, 2018.

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. Town contributions to the plan for the year were \$206,418. 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 percent of each participant's salary, 5 percent for nonunion and Board of Education union groups and 6 percent if the employee contributes at least 1 percent. Town contributions to the plan for the year were \$203,623.

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 percent of an officer's salary. Town contributions to the plan for the year were \$43,154. Officers are also required to contribute 6 percent of their salary.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment 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.

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, 2017. 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 Entry Age Normal Cost Method.

The valuation date July 1, 2017 reflects changes made to the plan provisions. The expected claims costs were updated based on analysis of the claims experience and premium information. The effect of this update reduced the Accrued Liability by about \$4.9 million. The actuarial cost method changed from Projected Unit Credit to Entry Age Normal. This change resulted in an increase in the Accrued Liability of \$443,000. Also, actuarial demographic assumption changes were made for Teachers and Administrators to be consistent with changes made in the June 30, 2016 valuation of the Connecticut State Teachers' Retirement System. The effect of these changes reduced the Accrued Liability by approximately \$132,000.

Membership in the plans consisted of the following at July 1, 2017.

| Category | Town | Police |
|---|------|--------|
| Retirees and beneficiaries receiving benefits | 68 | 47 |
| Active plan members | 585 | 45 |
| Total | 653 | 92 |

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was as follows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

| | Town | Police |
|----------------|-------|--------|
| Rate of return | 6.65% | 5.24% |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Net OPEB liability of the Town: The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

| Net OPEB Liability as of June 30, 2018 | Town | Police |
|--|----------------------|----------------------|
| Total OPEB liability | \$ 18,666,670 | \$ 11,382,671 |
| Plan fiduciary net position | 625,781 | 388,352 |
| Net OPEB liability | <u>\$ 18,040,889</u> | <u>\$ 10,994,319</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 3.35% | 3.41% |
| Covered payroll | 44,717,022 | 4,464,671 |
| Net OPEB liability as a percentage of covered payroll | 40.34% | 246.25% |

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, calculated based on the discount rate and the actuarial assumptions below, and then was projected forward to the measurement date June 30, 2018. There have been no significant changes between the valuation date and the fiscal year-end. The information presented was determined as part of the actuarial valuations. Information as of the July 1, 2017 valuation follows:

| | Town | Police |
|-------------------------------|------------------------------------|------------------------------------|
| Valuation date: | July 1, 2017 | July 1, 2017 |
| Measurement date: | June 30, 2018 | June 30, 2018 |
| Actuarial cost method: | Entry Age Normal | Entry Age Normal |
| Asset valuation method: | Market Value | Market Value |
| Amortization method: | 30 Years, Level Percent, Closed | 30 Years, Level Percent, Closed |
| Remaining amortization period | 23 Years | 23 Years |
| Actuarial assumptions: | | |
| Discount rate | 3.87% | 3.87% |
| Salary increase rate | Rates Based on Age | Rates Based on Age |
| Inflation rate | 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 | 5.70% |
| Ultimate inflation rate | 4.70% |
| Years until ultimate inflation rate | 65 |

The plans are considered to be part of the Town's financial reporting entity and are included in the Town's report as the OPEB Trust funds. These plans do not issue stand-alone financial reports.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

| | Changes in the Net OPEB Liability | | |
|--|-----------------------------------|------------------------------------|---------------------------------|
| | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) + (b) |
| Town Plan | | | |
| Changes in the Net OPEB Liability: | | | |
| Balances at June 30, 2017 | \$ (20,455,745) | \$ 594,256 | \$ (19,861,489) |
| Changes for the year: | | | |
| Service cost | (400,212) | - | (400,212) |
| Interest on total OPEB liability | (733,629) | - | (733,629) |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 1,241,259 | - | 1,241,259 |
| Effect of assumptions changes or inputs | 948,135 | - | 948,135 |
| Benefit payments | 733,522 | (733,522) | - |
| Employer contributions | - | 733,522 | 733,522 |
| Member contributions | - | - | - |
| Net investment income | - | 39,342 | 39,342 |
| Administrative expenses | - | (7,817) | (7,817) |
| Net changes | 1,789,075 | 31,525 | 1,820,600 |
| Balances at June 30, 2018 | \$ (18,666,670) | \$ 625,781 | \$ (18,040,889) |

| | Changes in the Net OPEB Liability | | |
|--|-----------------------------------|------------------------------------|---------------------------------|
| | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) + (b) |
| Police Plan | | | |
| Changes in the Net OPEB Liability: | | | |
| Balances at June 30, 2017 | \$ (12,058,542) | \$ 289,194 | \$ (11,769,348) |
| Changes for the year: | | | |
| Service cost | (527,869) | - | (527,869) |
| Interest on total OPEB liability | (442,291) | - | (442,291) |
| Effect of plan changes | - | - | - |
| Effect of economic/demographic gains or losses | 867,457 | - | 867,457 |
| Effect of assumptions changes or inputs | 310,619 | - | 310,619 |
| Benefit payments | 467,955 | (467,955) | - |
| Employer contributions | - | 505,276 | 505,276 |
| Member contributions | - | 53,549 | 53,549 |
| Net investment income | - | 17,148 | 17,148 |
| Administrative expenses | - | (8,860) | (8,860) |
| Net changes | 675,871 | 99,158 | 775,029 |
| Balances at June 30, 2018 | \$ (11,382,671) | \$ 388,352 | \$ (10,994,319) |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00% lower or 1.00% higher than the current healthcare cost trend rates:

| | 1.0% Decrease (4.7% Decreasing to 3.7%) | Trend Rates (5.7% Decreasing to 4.7%) | 1.0% Increase (6.7% Increasing to 5.7%) |
|--------------------|---|---|---|
| Town | | | |
| Net OPEB liability | \$ 15,689,458 | \$ 18,040,889 | \$ 20,870,013 |
| Police | | | |
| Net OPEB liability | \$ 9,656,451 | \$ 10,994,319 | \$ 12,585,253 |

Sensitivity of estimates used in calculating the net OPEB liability: The following presents the net OPEB liability of the Town, calculated using the discount rate of 3.87%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| | 1% Decrease 2.87% | Current Discount Rate 3.87% | 1% Increase 4.87% |
|--------------------|----------------------|-----------------------------------|----------------------|
| Town | | | |
| Net OPEB liability | \$ 20,445,331 | \$ 18,040,889 | \$ 16,014,232 |
| Police | | | |
| Net OPEB liability | \$ 12,176,359 | \$ 10,994,319 | \$ 9,952,264 |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

As of June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are reported as follows:

| | Deferred Outflows of Resources | | |
|---|--------------------------------|--------|--------|
| | Town | Police | Total |
| Net difference between projected and actual earnings on OPEB plan investments | \$ - | \$ 555 | \$ 555 |
| Changes of assumptions | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Total outflows | \$ - | \$ 555 | \$ 555 |

| | Deferred Inflows of Resources | | |
|---|-------------------------------|----------------|----------------|
| | Town | Police | Total |
| Differences between expected and actual experience | \$ (1,089,886) | \$ (741,739) | \$ (1,831,625) |
| Net difference between expected and actual experience | (12,570) | - | (12,570) |
| Changes of assumptions | (832,509) | (265,602) | (1,098,111) |
| Total inflows | \$ (1,934,965) | \$ (1,007,341) | \$ (2,942,306) |
| Net deferred inflows | \$ (1,934,965) | \$ (1,006,786) | \$ (2,941,751) |

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

| | Town | Police | Total |
|----------------------|----------------|----------------|----------------|
| Year ending June 30: | | | |
| 2019 | (270,142) | \$ (170,596) | \$ (440,738) |
| 2020 | (270,142) | (170,596) | (440,738) |
| 2021 | (270,142) | (170,596) | (440,738) |
| 2022 | (270,140) | (170,597) | (440,737) |
| 2023 | (266,999) | (170,735) | (437,734) |
| Thereafter | (587,400) | (153,666) | (741,066) |
| | \$ (1,934,965) | \$ (1,006,786) | \$ (2,941,751) |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Assumed rate of return: The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of the real rates of returns for each major asset class are included in the OPEB plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of July 1, 2017, and the final vestment return assumption, are summarized in the following table:

| Asset Class - Town | Long-Term Expected Arithmetic Real Return | Long-Term Expected Geometric Real Return |
|--|--|---|
| Cash | 0.52% | 0.51% |
| Intermediate - Term Bonds | 2.20% | 2.09% |
| Broad U.S. Equities | 4.86% | 3.57% |
| Developed Foreign Equities | 6.06% | 4.35% |
| Assumed Inflation - Mean | 2.75% | 2.75% |
| Assumed Inflation - Standard Deviation | 1.85% | 1.85% |
| Portfolio Real Mean Return | 4.15% | 3.55% |
| Portfolio Nominal Mean Return | 6.92% | 6.38% |
| Portfolio Standard Deviation | | 10.88% |
| Long-Term Expected Rate of Return | | 4.00% |
| Asset Class - Police | Long-Term Expected Arithmetic Real Return | Long-Term Expected Geometric Real Return |
| Cash | 0.52% | 0.51% |
| Intermediate - Term Bonds | 2.20% | 2.09% |
| Broad U.S. Equities | 4.86% | 3.57% |
| Developed Foreign Equities | 6.06% | 4.35% |
| Assumed Inflation - Mean | 2.75% | 2.75% |
| Assumed Inflation - Standard Deviation | 1.85% | 1.85% |
| Portfolio Real Mean Return | 4.15% | 3.55% |
| Portfolio Nominal Mean Return | 6.92% | 6.38% |
| Portfolio Standard Deviation | | 10.88% |
| Long-Term Expected Rate of Return | | 5.40% |

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

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

Discount rate: The plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payments, to the extent that the plan's fiduciary net position is not projected to be sufficient.

| | Town | Police |
|--|-------|--------|
| Discount rate | 3.87% | 3.87% |
| Long-term expected rate of return, net of investment expense | 4.00% | 5.40% |
| 20 Year Tax-Exempt Municipal Bond Yield | 3.87% | 3.87% |

Other Post-Employment Benefit - Connecticut State Teachers' Retirement Plan

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a Section 10-183 (t) of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit provisions: There are two types of the healthcare benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue healthcare coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below

| | |
|--|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor healthcare coverage: Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Eligibility: Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan.

Credited service: One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement, if the member pays one-half the cost.

Normal retirement: 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.

Early retirement: 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.

Proratable retirement: Age 60 with 10 years of credited service

Disability retirement: 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Termination of employment: 10 or more years of Credited Service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183t, 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. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2018, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town was as follows:

| | |
|--|----------------------|
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | <u>28,341,917</u> |
| | <u>\$ 28,341,917</u> |

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$1,313,508 for on-behalf amounts for the benefits provided by the State.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 8. Other Post-Employment Benefits (OPEB) (Continued)

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------------|---|
| Inflation | 2.75% |
| Healthcare costs trend rate | 7.25% decreasing to 5.00% by 2022 |
| Salary increases | 3.25-6.50%, including inflation |
| Investment rate of return | 3.56%, net of OPEB plan investment expense, including inflation |
| Year net position will be depleted | 2018 |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.02%).

Discount rate: The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the health care cost trend rate and the discount rate: The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the healthcare cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

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 | \$ 90,257 | \$ - | \$ - | \$ - |
| Inventory | - | - | - | 34,002 |
| Permanent fund principal | - | - | - | 78,361 |
| Total non-spendable | 90,257 | - | - | 112,363 |
| Restricted: | | | | |
| General government activities | - | - | - | 24,635 |
| Police operations | - | 100,000 | - | 450,011 |
| Fire operations | - | - | - | 411,122 |
| Sewer and water assessments | - | - | - | 49,703 |
| Water pollution control operations | - | - | - | 1,109,229 |
| Social services | - | - | - | 57,298 |
| Library operations | - | - | - | 85,060 |
| Parks and recreation programs | - | - | - | 29,219 |
| School cafeteria operations | - | - | - | 71,039 |
| Educational programs | - | - | - | 1,135,347 |
| Linear trail improvements | - | 21,478 | - | - |
| Other capital projects | - | 4,915,845 | - | - |
| Debt service | - | - | - | 643,248 |
| Total restricted | - | 5,037,323 | - | 4,065,911 |
| Committed: | | | | |
| Capital projects | - | - | - | 1,363,854 |
| Debt service | - | - | 4,721,261 | - |
| Pension benefit obligations | 25,000 | - | - | - |
| Total committed | 25,000 | - | 4,721,261 | 1,363,854 |
| Assigned: | | | | |
| Education | 1,245,195 | - | - | - |
| General government activities | 61,039 | - | - | - |
| Police and fire equipment | 35,361 | - | - | - |
| Parks maintenance | 48,608 | - | - | - |
| Social services | 2,375 | - | - | - |
| Library books and supplies | 10,333 | - | - | - |
| Recreation | 10,232 | - | - | - |
| Water pollution control | - | - | - | 23,901 |
| Subsequent year expenditures | 800,000 | - | - | 539,787 |
| Insurance reserves | 14,297 | - | - | - |
| Capital outlay | 126,945 | - | - | 102,414 |
| Total assigned | 2,354,385 | - | - | 666,102 |
| Unassigned | 10,580,697 | - | - | - |
| Total fund balance | \$ 13,050,339 | \$ 5,037,323 | \$ 4,721,261 | \$ 6,208,230 |

Encumbrances included in the above table in the assigned categories are as follows: \$1,540,088 in the General Fund and \$23,901 in Nonmajor Governmental Funds.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 10. Fund Deficits

The following fund had a fund deficit as of June 30, 2018:

| | |
|------------------------|--------------|
| Internal Service Fund: | |
| Heart & Hypertension | \$ 3,644,741 |
| Community Pool Fund | 9,125 |

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 | \$ 1,543,588 |
| Capital Improvements Fund | 4,153,711 |
| Nonmajor governmental funds | 126,315 |
| Total | <u>\$ 5,823,614</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, 2018. At year-end, the Town's commitment on uncompleted contracts is approximately \$4,256,000.

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 the Town's self-insured health plans, for which the Town is charged an administrative fee. The Town participates in a stop-loss captive for individuals exceeding \$175,000. The captive self-insures claims exceeding \$175,000 up to \$500,000 and purchases reinsurance for claims exceeding \$500,000. Incurred but not recorded (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, 2018, 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 July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 | Due Within One Year | |
| 2016-2017 | \$ 999,097 | \$ 11,251,179 | \$ 10,971,919 | \$ 1,278,357 | \$ 1,278,357 | |
| 2017-2018 | \$ 1,278,357 | \$ 11,147,046 | \$ 11,328,210 | \$ 1,097,193 | \$ 1,097,193 | |

| Heart & Hypertension Fund | | | | | | |
|---------------------------|-----------------------|---------------------------------|-------------|------------------------|---------------------|--|
| | Claims Payable July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 | Due Within One Year | |
| 2016-2017 | \$ 2,691,621 | \$ 190,440 | \$ 421,162 | \$ 2,460,899 | \$ 540,605 | |
| 2017-2018 | \$ 2,460,899 | \$ 2,026,407 | \$ 462,554 | \$ 4,024,752 | \$ 566,736 | |

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

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

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 13. Project Authorizations

The following is a summary of Capital Improvement Fund projects at June 30, 2018:

| | Authorization | Cumulative Expenditures | Unspent Authorizations |
|------------------------------|---------------|----------------------------|---------------------------|
| Various capital improvements | \$ 69,832,730 | \$ 49,691,776 | \$ 20,140,954 |

Note 14. Tax Abatements

The Town of Cheshire enters into property tax abatement agreements under Connecticut General Statute (CGS) Section 12-65b with local businesses that apply. Under the Statute, municipalities may grant property tax abatements for real estate for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or seeking to relocate to Cheshire. Cheshire's current policy is to abate taxes based on 50% of the assessed value of new construction for a 4-year period for projects with improvements less than three million and a 7-year period for projects that are three million or more. The Town can recapture abated taxes if the business does not stay in Cheshire for at least ten years. There is also a penalty if an agreed upon minimum staffing level is not maintained for the four or seven year abatement period. For the year ended June 30, 2018, property taxes in the amount of \$57,325 were abated under this program.

The Town also has a Defense (Enterprise) Zone approved by the Connecticut General Assembly. Under this legislation, the Town provides a 5-year, tax abatement to EDAC Technologies Corporation (EDAC) through June 30, 2019. The tax abatement is on 40% of EDAC's real and personal property. For the year ended June 30, 2018, unreimbursed property taxes abated under this program totaled \$115,529.

Note 15. 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.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2018. The 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 the statement. The Town is aware of this statement and will assess its impact to ensure timely implementation.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Town is aware of this statement and will assess its impact to ensure timely implementation.

Town of Cheshire, Connecticut

Notes to Financial Statements

Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, defines debt purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash, or other assets in lieu of cash, to settle a fixed amount established at the date of obligation. The statement requires additional information related to debt to be disclosed in the notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and specified terms in debt agreements related to significant events of default and the resulting financial consequences. The statement also requires disclosure be provided for direct borrowings and direct placements of debt separate from other forms of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Note 16. Restatement

The Town's financial statements have been restated as of June 30, 2017. The restatement is a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions* – an amendment of GASB Statement No. 45. Government activities will show a restatement of net position for the beginning of the year net OPEB liability as follows:

| | |
|--|-----------------------------|
| Net position, June 30, 2017, as previously reported | \$ 111,666,235 |
| Remove: June 30, 2017 net OPEB obligation under GASB 45 before implementation of GASB Statement No. 75: | |
| OPEB plan | 8,994,803 |
| Add: Implementation of GASB Statement No. 75 | |
| Beginning net OPEB liability for: | |
| OPEB plans | (31,630,837) |
| Net position, June 30, 2017, as restated | <u><u>\$ 89,030,201</u></u> |

**Required Supplementary
Information - *unaudited***

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Town of Cheshire, Connecticut

**Required Supplementary Information - unaudited
Schedule of Investment Returns - Pension Plan Trusts
Last Five Fiscal Years**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------|--------|--------|--------|--------|
| Annual money-weighted rate of return, net of investment income, for: | | | | | |
| Town | 6.88% | 9.85% | -3.29% | 1.35% | 13.20% |
| Police | 6.76% | 9.66% | -3.39% | 1.32% | 13.15% |
| Volunteer Firefighters | 6.00% | 12.24% | 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**

| <i>Schedule of Employer Contributions - Pension Trust Fund</i> | | | | | | |
|--|-------------------------------------|------------------------------|----------------------------------|-----------------|--|--|
| 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> | | | | | | |
| 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 | 256,460 | 11,411,022 | 16.13% | |
| 2016 | 1,821,202 | 1,821,202 | - | 13,079,769 | 13.92% | |
| 2017 | 1,773,905 | 1,773,905 | - | 12,000,249 | 14.78% | |
| 2018 | 1,825,373 | 1,825,373 | - | 12,298,389 | 14.84% | |
| <u>Police</u> | | | | | | |
| 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% | |
| 2017 | 1,456,934 | 1,302,765 | 154,169 | 3,687,620 | 35.33% | |
| 2018 | 1,631,178 | 1,452,765 | 178,413 | 3,673,204 | 39.55% | |
| <u>Volunteer Firefighters</u> | | | | | | |
| 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 | |
| 2017 | 270,278 | 270,278 | - | N/A | N/A | |
| 2018 | 257,157 | 257,157 | - | N/A | N/A | |

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 Five Fiscal Years

| Changes in Net Pension Liability | Town | | | | | Police | | | | | Volunteer Firefighter | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total pension liability: | | | | | | | | | | | | | | | |
| Service cost | \$ 1,184 | \$ 1,101 | \$ 1,513 | \$ 1,407 | \$ 1,237 | \$ 732 | \$ 681 | \$ 744 | \$ 692 | \$ 689 | \$ 44 | \$ 39 | \$ 30 | \$ 27 | \$ 29 |
| Interest on total pension liability | 4,214 | 4,179 | 3,991 | 3,780 | 4,023 | 3,421 | 3,208 | 3,099 | 2,987 | 2,870 | 273 | 269 | 257 | 247 | 237 |
| Effect of plan changes | - | - | - | (9) | - | (378) | - | - | - | 1,001 | - | - | - | - | - |
| Effect of economic/demographic gains or (losses) | - | (2,104) | - | (1,284) | - | - | 1,314 | - | 1,063 | - | - | (203) | - | (2) | - |
| Effect of assumption changes or inputs | - | - | - | (5,119) | - | - | - | - | (1,071) | - | - | 95 | - | - | - |
| Benefit payments | (2,902) | (2,680) | (2,521) | (2,405) | (2,111) | (2,449) | (2,389) | (2,269) | (2,181) | (1,829) | (151) | (145) | (143) | (141) | (139) |
| Net change in total pension liability | 2,496 | 496 | 2,983 | (3,630) | 3,149 | 1,326 | 2,814 | 1,574 | 1,490 | 2,731 | 166 | 55 | 144 | 131 | 127 |
| Total pension liability, beginning | 56,432 | 55,936 | 52,953 | 56,583 | 53,434 | 46,085 | 43,271 | 41,697 | 40,207 | 37,476 | 3,667 | 3,612 | 3,468 | 3,337 | 3,210 |
| Total pension liability ending (a) | 58,928 | 56,432 | 55,936 | 52,953 | 56,583 | 47,411 | 46,085 | 43,271 | 41,697 | 40,207 | 3,833 | 3,667 | 3,612 | 3,468 | 3,337 |
| Fiduciary net position: | | | | | | | | | | | | | | | |
| Employer contributions | \$ 1,825 | \$ 1,774 | \$ 1,821 | \$ 1,840 | \$ 1,540 | \$ 1,453 | \$ 1,303 | \$ 1,153 | \$ 853 | \$ 703 | \$ 257 | \$ 270 | \$ 264 | \$ 241 | \$ 223 |
| Member contributions | 330 | 325 | 327 | 341 | 345 | 321 | 302 | 305 | 307 | 337 | - | - | - | - | - |
| Investment income net of investment expenses | 2,972 | 3,938 | (1,380) | 559 | 4,869 | 1,757 | 2,348 | (877) | 349 | 3,173 | 110 | 191 | 2 | (5) | 162 |
| Benefit payments | (2,902) | (2,680) | (2,521) | (2,405) | (2,111) | (2,449) | (2,389) | (2,269) | (2,181) | (1,829) | (151) | (145) | (143) | (141) | (139) |
| Administrative expenses | (42) | (60) | (54) | (65) | (51) | (22) | (31) | (26) | (47) | (27) | (14) | (24) | (17) | (23) | (15) |
| Net change in plan fiduciary net position | 2,183 | 3,297 | (1,807) | 270 | 4,592 | 1,060 | 1,533 | (1,714) | (719) | 2,357 | 202 | 292 | 106 | 72 | 231 |
| Fiduciary net position, beginning | 42,781 | 39,484 | 41,291 | 41,021 | 36,429 | 25,684 | 24,151 | 25,865 | 26,584 | 24,227 | 1,666 | 1,374 | 1,268 | 1,195 | 964 |
| Fiduciary net position, ending (b) | 44,964 | 42,781 | 39,484 | 41,291 | 41,021 | 26,744 | 25,684 | 24,151 | 25,865 | 26,584 | 1,868 | 1,666 | 1,374 | 1,268 | 1,195 |
| Net pension liability, ending = (a) - (b) | \$ 13,964 | \$ 13,651 | \$ 16,452 | \$ 11,662 | \$ 15,562 | \$ 20,667 | \$ 20,401 | \$ 19,120 | \$ 15,832 | \$ 13,623 | \$ 1,965 | \$ 2,001 | \$ 2,238 | \$ 2,200 | \$ 2,142 |
| Fiduciary net position as a % of total pension liability | 76.30% | 75.81% | 70.59% | 77.98% | 72.50% | 56.41% | 55.73% | 55.81% | 62.03% | 66.12% | 48.73% | 45.43% | 38.04% | 36.56% | 35.81% |
| Covered payroll | \$ 12,298 | \$ 12,000 | \$ 13,080 | \$ 11,411 | \$ 14,630 | \$ 3,673 | \$ 3,688 | \$ 3,744 | \$ 4,146 | \$ 4,203 | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a % of covered payroll | 113.54% | 113.75% | 125.78% | 102.20% | 106.37% | 562.64% | 553.22% | 510.72% | 381.86% | 324.13% | N/A | N/A | 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 the Town's Proportionate Share of the Net Pension Liability -
 Teachers' Retirement Plan
 Last Four Fiscal Years**

| Measurement Period | 2017 | 2016 | 2015 | 2014 |
|--|----------------|----------------|---------------|---------------|
| Town's proportion of the net pension liability | 0.000000% | 0.000000% | 0.000000% | 0.000000% |
| Town's proportionate share of the net pension liability | - | - | - | - |
| State's proportionate share of the net pension liability | \$ 110,113,252 | \$ 116,170,342 | \$ 89,484,226 | \$ 82,710,234 |
| Town's covered payroll | \$ 34,901,983 | \$ 33,640,478 | \$ 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% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 55.93% | 52.26% | 59.50% | 61.56% |

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 Investment Returns - OPEB Trusts
For the Year Ended June 30, 2018**

| | 2018 | 2017 |
|---|-------|--------|
| Annual money-weighted rate of return, net of investment income for: | | |
| Town | 6.65% | 13.15% |
| Police | 5.24% | 10.97% |

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 Employer Contributions - OPEB
June 30, 2018

| <i>Schedule of Employer Contributions - OPEB</i> | | | | | | |
|--|---|------------------------|--|--------------------|--|--|
| Year Ended June 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a % of Covered Payroll | |
| <u>Town</u> | | | | | | |
| 2010 | \$ 1,510,858 | \$ 1,190,554 | \$ 320,304 | N/A | N/A | |
| 2011 | 1,696,510 | 674,308 | 1,022,202 | N/A | N/A | |
| 2012 | 1,716,774 | 1,584,384 | 132,390 | N/A | N/A | |
| 2013 | 1,610,661 | 1,060,595 | 550,066 | N/A | N/A | |
| 2014 | 1,631,204 | 1,080,481 | 550,723 | N/A | N/A | |
| 2015 | 1,103,235 | 827,537 | 275,698 | 35,624,603 | 2.32% | |
| 2016 | 1,149,867 | 848,406 | 301,461 | 35,624,603 | 2.38% | |
| 2017 | 1,089,741 | 772,073 | 317,668 | 37,813,861 | 2.04% | |
| 2018 | 1,150,067 | 733,522 | 416,545 | 44,717,022 | 1.64% | |
| <u>Police</u> | | | | | | |
| 2010 | \$ 624,753 | \$ 56,558 | \$ 568,195 | N/A | N/A | |
| 2011 | 725,132 | 59,346 | 665,786 | N/A | N/A | |
| 2012 | 742,323 | 62,851 | 679,472 | N/A | N/A | |
| 2013 | 678,813 | 64,364 | 614,449 | N/A | N/A | |
| 2014 | 697,112 | 62,712 | 634,400 | N/A | N/A | |
| 2015 | 673,997 | 155,183 | 518,814 | 2,767,479 | 5.61% | |
| 2016 | 732,922 | 404,366 | 328,556 | 2,767,479 | 14.61% | |
| 2017 | 711,806 | 504,927 | 206,879 | 2,990,069 | 16.89% | |
| 2018 | 762,064 | 505,276 | 256,788 | 4,464,671 | 11.32% | |

Town of Cheshire, Connecticut

Required Supplementary Information - unaudited

Schedule of Changes in the Town's Net OPEB Liability and Related Ratios (in 1,000's)

Last Two Fiscal Years

| Changes in Net OPEB Liability | Town | | Police | |
|---|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Total OPEB liability: | | | | |
| Service cost | \$ 400 | \$ 424 | \$ 528 | \$ 612 |
| Interest on total OPEB liability | 734 | 631 | 442 | 366 |
| Effect of economic/demographic gains or (losses) | (1,241) | (1,922) | (867) | - |
| Effect of assumption changes or inputs | (948) | - | (311) | (905) |
| Benefit payments | (734) | (772) | (468) | (496) |
| Net change in total OPEB liability | (1,789) | (1,639) | (676) | (423) |
| Total OPEB liability, beginning | 20,456 | 22,095 | 12,058 | 12,481 |
| Total OPEB liability ending (a) | 18,667 | 20,456 | 11,382 | 12,058 |
| Fiduciary net position: | | | | |
| Employer contributions | \$ 734 | \$ 772 | \$ 505 | \$ 505 |
| Member contributions | - | - | 54 | 54 |
| Investment income net of investment expenses | 39 | 70 | 17 | 25 |
| Benefit payments | (734) | (772) | (468) | (496) |
| Administrative expenses | (8) | (7) | (9) | (8) |
| Net change in plan fiduciary net position | 31 | 63 | 99 | 80 |
| Fiduciary net position, beginning | 595 | 532 | 289 | 209 |
| Fiduciary net position, ending (b) | 626 | 595 | 388 | 289 |
| Net OPEB liability, ending = (a) - (b) | \$ 18,041 | \$ 19,861 | \$ 10,994 | \$ 11,769 |
| Fiduciary net position as a % of total OPEB liability | 3.35% | 2.91% | 3.41% | 2.40% |
| Covered payroll | \$ 44,717 | \$ 37,814 | \$ 4,465 | \$ 2,990 |
| Net OPEB liability as a % of covered payroll | 40.34% | 52.52% | 246.25% | 393.61% |

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 the Town's Proportionate Share of the Net OPEB Liability -
Teachers' Retiree Health Plan
Last Fiscal Year***

| Measurement Period | 2018 |
|--|----------------------|
| Town's proportion of the net OPEB liability | 0.000000% |
| Town's proportionate share of the net OPEB liability | - |
| State's proportionate share of the net OPEB liability | <u>\$ 28,341,917</u> |
| Town's covered-employee payroll | <u>\$ 34,902,001</u> |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.79% |

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, 2018

| | Original | Revised Final | Actual Budgetary Basis | Variance With Final Budget |
|--|--------------------|--------------------|------------------------------|-------------------------------|
| Revenues: | | | | |
| Property taxes, interest and lien fees | \$ 88,282,691 | \$ 88,282,691 | \$ 88,764,655 | \$ 481,964 |
| Charges for services | 2,155,057 | 2,155,057 | 2,298,152 | 143,095 |
| Intergovernmental | 15,890,961 | 15,890,961 | 14,619,868 | (1,271,093) |
| Interest and dividend income | 200,000 | 200,000 | 507,006 | 307,006 |
| Other local income | 224,940 | 224,940 | 271,299 | 46,359 |
| Total revenues | 106,753,649 | 106,753,649 | 106,460,980 | (292,669) |
| Expenditures: | | | | |
| Current: | | | | |
| Administration and finance | 12,521,538 | 12,610,188 | 12,384,424 | 225,764 |
| Planning and development | 552,597 | 552,597 | 526,193 | 26,404 |
| Public safety | 7,035,102 | 7,035,102 | 6,841,416 | 193,686 |
| Public works | 6,357,615 | 6,357,615 | 6,026,294 | 331,321 |
| Public health | 480,716 | 480,716 | 477,503 | 3,213 |
| Social services | 883,743 | 883,743 | 859,470 | 24,273 |
| Cultural services | 1,944,332 | 1,944,332 | 1,900,494 | 43,838 |
| Leisure services | 681,509 | 687,859 | 611,968 | 75,891 |
| Education | 70,126,288 | 70,109,336 | 69,625,121 | 484,215 |
| Contingency | 125,000 | - | - | - |
| Debt service | 6,591,783 | 6,591,783 | 6,591,782 | 1 |
| Total expenditures | 107,300,223 | 107,253,271 | 105,844,665 | 1,408,606 |
| Revenues over (under) expenditures | (546,574) | (499,622) | 616,315 | 1,115,937 |
| Other financing sources (uses): | | | | |
| Cancellation of prior year encumbrances | 150,000 | 150,000 | 275,964 | 125,964 |
| Transfers in | 725,000 | 725,000 | 1,062,775 | 337,775 |
| Transfers out | (1,328,426) | (1,375,378) | (1,115,697) | 259,681 |
| Net other financing sources (uses) | (453,426) | (500,378) | 223,042 | 723,420 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses before utilization of fund balance | (1,000,000) | (1,000,000) | 839,357 | 1,839,357 |
| Utilization of fund balance | 1,000,000 | 1,000,000 | - | (1,000,000) |
| Excess of revenues and other financing sources over expenditures and other financing uses after utilization of fund balance | \$ - | \$ - | 839,357 | \$ 839,357 |
| Budgetary fund balance, July 1, 2017 | | | 11,091,475 | |
| Budgetary fund balance, June 30, 2018 | | | <u>\$ 11,930,832</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 percent 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 no additional appropriations made during the year.
- 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 | \$ 106,460,980 | \$ 105,844,665 | \$ 223,042 | \$ 11,930,832 |
| Accrued payroll | - | 29,145 | - | (462,280) |
| State Teachers Retirement System on-behalf payments | 12,736,887 | 12,736,887 | - | - |
| Encumbrances: | | | | |
| June 30, 2017 | - | 1,240,717 | - | 8,306 |
| June 30, 2018 | - | (1,531,782) | - | 1,531,782 |
| Cancellation of prior year encumbrances | - | - | (275,964) | - |
| Effect of GASB No. 54 | 595,991 | 973,992 | 333,745 | 41,699 |
| Combined General Fund, GAAP basis | <u>\$ 119,793,858</u> | <u>\$ 119,293,624</u> | <u>\$ 280,823</u> | <u>\$ 13,050,339</u> |

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Appendix B

Form of Opinion of Bond Counsel

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[FORM OF OPINION OF BOND COUNSEL]

March __, 2019

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 March 6, 2019 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$14,500,000 Town of Cheshire, Connecticut General Obligation Bonds dated March 6, 2019 (the “Bonds”), maturing on July 15 in each of the years, in the principal amounts and bearing interest payable on July 15, 2019 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> |
|-------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|
| 2020 | \$760,000 | % | 2030 | 765,000 | % |
| 2021 | 760,000 | | 2031 | 765,000 | |
| 2022 | 760,000 | | 2032 | 765,000 | |
| 2023 | 760,000 | | 2033 | 765,000 | |
| 2024 | 760,000 | | 2034 | 765,000 | |
| 2025 | 760,000 | | 2035 | 765,000 | |
| 2026 | 760,000 | | 2036 | 770,000 | |
| 2027 | 760,000 | | 2037 | 770,000 | |
| 2028 | 760,000 | | 2038 | 770,000 | |
| 2029 | 760,000 | | | | |

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

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

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

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

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

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. 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
\$14,500,000 General Obligation Bonds
dated March 6, 2019

March 6, 2019

WHEREAS, the Town of Cheshire, Connecticut (the "Town") has heretofore authorized the issuance of \$14,500,000 in aggregate principal amount of its General Obligation Bonds, dated March 6, 2019 (the "Bonds"), maturing on the dates and in the amounts set forth in the Town's Official Statement dated February ___, 2019 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 12, 2019 (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.

"Financial Obligation" shall mean any (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). Municipal securities as to which a final official statement has been filed with the Repository, consistent with the Rule, shall not be considered a Financial Obligation.

"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 (EMMA) 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material;
- (xv) incurrence of a Financial Obligation by any obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any obligated person, any of which affect Bondholders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any obligated person, any of which reflect financial difficulties.

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: _____
Name: Sean M. Kimball
Title: Town Manager

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

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Appendix D

Notice of Sale

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NOTICE OF SALE
\$14,500,000
TOWN OF CHESHIRE, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2019

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

FEBRUARY 20, 2019

(the “Sale Date”) for the purchase of all, but not less than all, of the \$14,500,000 Town of Cheshire, Connecticut General Obligation Bonds, Issue of 2019 (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, 2019, mature in the principal amounts of \$760,000 on July 15 in each of the years 2020 to 2029, both inclusive, \$765,000 in each of the years 2030 to 2035, both inclusive, and \$770,000 in each of the years 2036 to 2038, both inclusive, bear interest payable on July 15, 2019 and semiannually thereafter on January 15 and July 15 in each year until maturity or earlier redemption, as further described in the Preliminary Official Statement for the Bonds dated February 12, 2019 (the “Preliminary Official Statement”).

The Bonds maturing on or before July 15, 2026 are not subject to redemption prior to maturity. The Bonds maturing on July 15, 2027 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after July 15, 2026, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as a percentage of the principal amounts of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|------------------------------|-------------------------|
| July 15, 2026 and thereafter | 100% |

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 (the “Code”), 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 and 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.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale. 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).

Bid Specifications/Basis of Award

Each bid must be for the entire \$14,500,000 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 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 bids the true interest cost to the Town, computed and rounded to six decimal places.

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, 2019, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued, if any, to March 6, 2019, the delivery date of 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 bid. 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.T.) on the Sale Date. 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 bid. 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, Hartford, Connecticut (“Bond Counsel”), 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, (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 its legal opinion, Bond Counsel 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.

Obligation to Deliver Issue Price Certificate

Pursuant to the Code and applicable Treasury Regulations, the Town must establish the “issue price” of the Bonds. In order to assist the Town, the winning bidder is obligated to deliver to the Town a certificate (an “Issue Price Certificate”) and such additional information satisfactory to Bond Counsel described below, prior to the delivery of the Bonds. The Town will rely on the Issue Price Certificate and such additional information in determining the issue price of the Bonds. The form of Issue Price Certificate is available by contacting Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC,

Email: mspoerndle@muniadvisors.com, Telephone: (203) 878-4945, municipal advisor to the Town (the “Municipal Advisor”).

By submitting a bid, each bidder is certifying that (i) it is an underwriter of municipal bonds which has an established industry reputation for underwriting new issuances of municipal bonds, (ii) its bid is a firm offer to purchase the Bonds, (iii) its bid is a good faith offer which the bidder believes reflects current market conditions, and (iv) its bid is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale rule relating to the establishment of the issue price of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Rule”).

The Municipal Advisor will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Bonds. **Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.**

Competitive Sale Rule Met. If the Municipal Advisor advises the winning bidder that the Competitive Sale Rule has been met, the winning bidder shall, within one (1) hour after being notified of the award of the Bonds, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial offering price to the public of each maturity of the Bonds as of the Sale Date.

Competitive Sale Rule Not Met. By submitting a bid, the winning bidder agrees (unless the winning bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule is not met, it will satisfy either the **10% Sale Rule** or the **Hold the Offering Price Rule** described below with respect to each maturity of the Bonds prior to the delivery date of the Bonds. The rule selected with respect to each maturity of the Bonds shall be set forth on an Issue Price Rule Selection Certificate, the form of which is attached hereto, which shall be sent to the winning bidder promptly after the award of the Bonds. The winning bidder shall complete and execute the Issue Price Rule Selection Certificate and email it to Bond Counsel and the Municipal Advisor by 5:00 P.M. on the day after the Sale Date. **If the Issue Price Rule Selection Certificate is not returned by this deadline, or if no selection is made with respect to a maturity, the winning bidder agrees that the Hold the Offering Price Rule shall apply to such maturities.**

10% Sale Rule. To satisfy the 10% Sale Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide the Town with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will report to the Town information regarding the actual prices at which at least 10 percent (10%) of the Bonds of each maturity have been sold to the public;

(iii) will provide the Town with reasonable supporting documentation or certifications of such sale prices, the form of which is acceptable to Bond Counsel. If the 10% Sale Rule is used with respect to a maturity of the Bonds, this reporting requirement will continue, beyond the closing date of the Bonds, if necessary, until such date that at least 10 percent (10%) of such maturity of the Bonds has been sold to the public; and

(iv) has or will include in any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

Hold the Offering Price Rule. To satisfy the Hold the Offering Price Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will neither offer nor sell to any person any Bonds of such maturity at a price that is higher than the initial offering price of such maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent (10%) of the Bonds of such maturity at a price that is no higher than the initial offering price of such maturity or (ii) the close of business on the fifth (5th) business day after the Sale Date of the Bonds; and

(iii) has or will include within any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Bonds as set forth above.

For purposes of the 10% Sale Rule or the Hold the Offering Price Rule, a “maturity” refers to Bonds that have the same interest rate, credit and payment terms.

If the winning bidder has purchased any maturity of the Bonds for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Rule was met, the Issue Price Certificate will recite such facts and identify the price or prices at which such maturity of the Bonds was purchased.

For purposes of this Notice of Sale, the “public” does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Bonds to the public (such as a third party distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Bonds to the public). In making the representations described above, the winning bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Bonds.

Settlement of the Bonds

The Bonds will be available for delivery on or about March 6, 2019. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Municipal Advisor shall 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 25 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 Municipal Advisor. If the Municipal 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 and the Issue Price Certificate may be obtained from the undersigned, or from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, Email: mspoerndle@muniadvisors.com, Telephone: (203) 878-4945, municipal advisor to the Town.

SEAN M. KIMBALL

Town Manager

JAMES J. JASKOT

Director of Finance & Treasurer

February 12, 2019

ISSUE PRICE RULE SELECTION CERTIFICATE

Town of Cheshire, Connecticut
\$14,500,000 General Obligation Bonds, Issue of 2019

The undersigned, on behalf of [NAME OF UNDER/REP], [on behalf of itself and [OTHER UNDER], hereby certifies that it will use the rule selected below for the respective maturity of the above-captioned bonds (the “Bonds”), as described in the Notice of Sale for the Bonds, dated February 12, 2019 (the “Notice of Sale”). For a description of the requirements of each rule, please refer to the section “Obligation to Deliver Issue Price Certificate” in the Notice of Sale. Capitalized terms used but not defined herein are defined in the Notice of Sale.

| <u>Date of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | 10% Sale Rule (Underwriter has or will comply with 10% Sale Price Rule for this Maturity) | | Hold the Offering Price Rule (Underwriter will comply with Hold the Offering Price Rule for this Maturity) | |
|-------------------------|-------------------------|----------------------|---|--------------------|--|-------------------------------|
| | | | <u>Check Box</u> | <u>Sales Price</u> | <u>Check Box</u> | <u>Initial Offering Price</u> |
| 07/15/2020 | \$760,000 | 0.000% | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2021 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2022 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2023 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2024 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2025 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2026 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2027 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2028 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2029 | 760,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2030 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2031 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2032 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2033 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2034 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2035 | 765,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2036 | 770,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2037 | 770,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 07/15/2038 | 770,000 | 0.000 | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |

(All Sales Prices or Initial Offering Prices must be completed prior to the delivery date of the Bonds.)

[NAME OF UNDER/REP]

By: _____
Name:
Title:

Email this completed and executed certificate to the following by 5:00 P.M. on February 21, 2019:

Bond Counsel: sspinelli@rc.com

Municipal Advisor: mspoerndle@muniadvisors.com

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