



Webster Bank
CityPlace II
185 Asylum Street, 5th Floor
Hartford, CT 06103-3494

August 9, 2010

RE: **Town of Sherman, Connecticut**
\$6,750,000 General Obligation Bonds, Issue of 2010
Dated date: August 15, 2010 - Due: August 15, 2011-2029

TO ALL BIDDERS:

As per the Notice of Sale, bids will be accepted by officials of the Town of Sherman, Connecticut at Webster Bank, National Association, CityPlace II, 185 Asylum Street, Government Finance, 3rd Floor Conference Room, Hartford, Connecticut 06103 on **Tuesday, August 17, 2010.**

Sealed bids and electronic bids via PARITY® will be accepted until 11:30 A.M. (E.D.T.) for the Bonds.

If we may be of service in submitting your bid, please note that a representative from Webster Bank, National Association, the Town's financial advisor, will be available at the address indicated above on the day of the sale.

The telephone number is (860) 692-1347.

We look forward to being of service.

Sincerely,

A handwritten signature in blue ink that reads 'Barry J. Bernabe'.

Barry J. Bernabe
Vice President
Government Finance

New Issue**Rating: (See "Rating" herein.)**

In the opinion of Bond Counsel, assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), based on existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax and is not taken into account in the calculation of the adjusted current earnings for purposes of the alternative minimum tax imposed on corporations, as described under Appendix B - "Opinion of Bond Counsel and Tax Exemption" herein. In the opinion of Bond Counsel, 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.

**\$6,750,000**

**TOWN OF SHERMAN, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2010
BOOK-ENTRY-ONLY**

Dated: August 15, 2010**Due: Serially, August 15, 2011-2029**

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2011	\$275,000			824078	2021	\$400,000			824078
2012	300,000			824078	2022	400,000			824078
2013	300,000			824078	2023	400,000			824078
2014	325,000			824078	2024	400,000			824078
2015	325,000			824078	2025	400,000			824078
2016	325,000			824078	2026	400,000			824078
2017	325,000			824078	2027	400,000			824078
2018	325,000			824078	2028	400,000			824078
2019	325,000			824078	2029	400,000			824078
2020	325,000			824078					

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

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August of each year, commencing February 15, 2011. 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 form, in the denomination of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

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

SEALED PROPOSALS or ELECTRONIC PROPOSALS via PARITY® will be received until 11:30 A.M. (E.D.T.) for the Bonds on Tuesday, August 17, 2010 at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103. The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in definitive form will be made on or about August 26, 2010 through the facilities of DTC.

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

Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which said offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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ISSUE SUMMARY

The information in this section is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

Issuer:	Town of Sherman, Connecticut (the “Town”)
Issue:	\$6,750,000 General Obligation Bonds, Issue of 2010 (the “Bonds”)
Date of Sale:	Sealed bids and electronic bids via PARITY® on Tuesday, August 17, 2010, until 11:30 A.M. (E.D.T.) at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3 rd Floor Conference Room, Hartford, Connecticut 06103
Financial Advisor:	Webster Bank, National Association
Dated Date:	August 15, 2010
Interest Date:	Each February 15 and August 15, commencing February 15, 2011
Principal Due:	Serially, August 15, 2011 through August 15, 2029, as detailed in this Official Statement
Purpose:	The Bonds are being issued to finance infrastructure repairs, firehouse renovations and an open space acquisition. See “Authorization and Purpose” herein.
Redemption:	The Bonds are subject to optional redemption prior to maturity as more fully described herein under “Optional Redemption.”
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.
Bank Qualification:	The Bonds shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.
Credit Rating:	Application for a rating on this issue has been made to Moody’s Investors Service.
Tax Exemption:	See Appendix B – “Form of Legal Opinion of Bond Counsel and Tax Exemption” herein.
Certifying Agent, Registrar, Transfer Agent, and Paying Agent:	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103
Legal Opinion:	Shipman & Goodwin LLP, of Hartford, Connecticut will act as Bond Counsel.
Delivery:	It is expected that delivery of the Bonds in book-entry-only form to The Depository Trust Company will be made on or about August 26, 2010 in New York, New York.
Final Official Statement:	This Official Statement is in a form “deemed final” by the Town for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment.

**Availability of
Continuing
Information:**

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data, notices of material events and notices of a failure to provide required information with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.

For additional copies of the Official Statement or requests for additional information, please contact:

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Webster Bank, National Association
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Hartford, CT 06103

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First Selectman
Town of Sherman
Mallory Town Hall
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INTRODUCTION

This Official Statement, including the cover page and appendices, is provided only in connection with the initial offering and sale of \$6,750,000 General Obligation Bonds, Issue of 2010 (the "Bonds") of the Town of Sherman, Connecticut (the "Town"), to present certain financial and supplementary economic and demographic data relevant to the Town, and it may not be reproduced or used in whole or in part for any other purpose.

The Bonds are being offered for sale at public bidding. A Notice of Sale and Bid Form dated August 9, 2010, a copy of which is included as Appendix D herein, has been furnished to prospective bidders. Reference is made to the Notice of Sale and Bid Form for the terms and conditions of the bidding.

The successful bidder for the Bonds may add a separate page on the front of this Official Statement to indicate its name, the Bond offering prices, the interest rate per annum on the Bonds, information regarding ratings, and such other information as approved by the Town which the successful bidder deems appropriate.

The Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. 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.

No dealer, broker, salesman, or other person has been authorized by the Town to give any information or make any representations, other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are not intended to be representations of fact. No representation is made that any such opinion or estimate will be realized.

The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the Town. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. 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 the Official Statement.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings. The information set forth herein has been obtained by the Town from sources which are believed to be reliable, but it is not guaranteed as to sufficiency, accuracy or completeness.

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

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

The independent auditors for the Town are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other

than matters expressly set forth in Appendix A – “Auditor’s Section” herein), and make no representation that they have independently verified the same. The auditors have neither been engaged to nor performed audit procedures regarding the post-audit period.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix B – “Form of Legal Opinion of Bond Counsel and Tax Exemption” herein), and it makes no representation that it has 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.

SECTION I - SECURITIES OFFERED

Description of the Bonds

The Bonds are being offered for sale at public bidding. Reference is made to the Notice of Sale and Bid Form in Appendix D for the terms and conditions of the bidding.

The Bonds will be dated August 15, 2010 and will mature on August 15 of the years and in the principal amounts as follows:

<u>Due August 15</u>	<u>Principal Amount</u>	<u>Due August 15</u>	<u>Principal Amount</u>
2011	\$275,000	2021	\$400,000
2012	300,000	2022	400,000
2013	300,000	2023	400,000
2014	325,000	2024	400,000
2015	325,000	2025	400,000
2016	325,000	2026	400,000
2017	325,000	2027	400,000
2018	325,000	2028	400,000
2019	325,000	2029	400,000
2020	325,000		

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August of each year, commencing February 15, 2011. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of January and July in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. Principal will be payable at the principal office of U.S. Bank National Association.

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

Authorization and Purpose

Infrastructure Repairs: By resolution approved at referendum held on June 9, 2007, the Town approved an appropriation of \$1,500,000 and authorized the issuance of bonds and notes in an amount not to exceed \$1,500,000 to fund the costs of reconstruction and repair of various Town roads and roadside elements and Town bridges.

Firehouse Renovation: By resolution approved at referendum held on June 9, 2007, the Town approved an appropriation of \$5,000,000 and authorized the issuance of bonds and notes in an amount not to exceed \$4,500,000 to fund the costs of construction, reconstruction and renovation of the existing firehouse into an emergency services facility.

Open Space Acquisition: By resolution approved at referendum held on June 9, 2007, the Town approved an appropriation of \$3,500,000 and authorized the issuance of bonds and notes in an amount not to exceed \$3,500,000 for the acquisition of land, easements, interests or rights in land or rights in easements for open space, passive recreational or agricultural purposes.

By resolution approved at referendum held on May 15, 2010, this appropriation and bond authorization was reduced by \$2,250,000 to \$1,250,000 but also provided that if the Town received certain grants, then this appropriation and bond authorization shall be increased by the amount of the grants up to the \$2,250,000 reduction.

Use of Proceeds

<u>Project</u>	<u>Amount Authorized</u>	<u>Notes Maturing</u>	<u>New Money</u>	<u>Paydowns</u>	<u>The Bonds</u>
Infrastructure repairs	\$1,500,000	\$1,500,000	\$ -	\$ (60,750)	\$1,439,250
Firehouse renovation	4,500,000	4,500,000	-	(171,750)	4,328,250
Open space acquisition ¹	3,500,000	<u>350,000</u>	<u>650,000</u>	<u>(17,500)</u>	<u>982,500</u>
Total		\$6,350,000	\$650,000	\$(250,000)	\$6,750,000

¹ By resolution approved at referendum held on May 15, 2010, this appropriation and bond authorization was reduced by \$2,250,000 to \$1,250,000 but also provided that if the Town received certain grants, then this appropriation and bond authorization shall be increased by the amount of the grants up to the \$2,250,000 reduction.

Optional Redemption

The Bonds maturing on or before August 15, 2017 are not subject to redemption prior to maturity. The Bonds maturing on August 15, 2018 or thereafter are subject to redemption prior to maturity, at the option of the Town, on or after August 15, 2017, either in whole or in part at any time, in such order of maturity and amount as the Town may determine, and by lot within a maturity, at the respective prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 15, 2017 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 days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amounts of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by 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.

Rating

Application has been made to Moody's Investors Service ("Moody's") for a rating on the Bonds. The rating, if any, assigned by Moody's will reflect its recalibration of U.S. public finance credit ratings to a single global scale rating system.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished to the rating agency certain information and materials, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the rating agency, if, in the judgment of such rating agency, circumstances so warrant. A rating, if obtained, will reflect only the view of the rating agency and will be subject to revision or withdrawal, which could affect the market price 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 ad valorem taxes which may be levied on all taxable property of the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. Under existing statutes, the State is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next 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 bonds or notes of the Town would also be subject to the applicable provisions of the Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

Qualification for Financial Institutions

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

Book-entry-only System

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

DTC Practices

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

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

SECTION II - THE ISSUER

The Municipality

Located in southwestern Connecticut in Fairfield County, Sherman is about 75 miles from New York City. The Town covers an area of 23.5 square miles and is bordered on the south by New Fairfield, on the west by New York State, on the east by New Milford, and on the north by Kent. Connecticut routes 37, 39 and 55 traverse the Town.

Sherman is a rural-residential community with an estimated population of 4,106 in 2008. Town income levels, residential property sales prices, educational attainment and tax collection rates are all significantly higher than the state averages. Sherman was named *Connecticut Magazine's* "Best Connecticut Town" among towns with populations of 4,700 or less in 1999 and again in 2001 and 2005, based on a variety of factors such as crime rate, cost of living, education, and leisure/culture.

The Town enjoys an abundance of open space and scenic natural features. The Naromi Land Trust, established in 1968 for the purpose of preservation, currently manages over 1,600 acres in more than 40 parcels throughout the Town. Among Town-owned lands are Sherman Meadows, Veterans Field and Town Park totaling 1,255 acres. The National Park Service holds a sizeable tract in Sherman's northern corner where the Appalachian Trail passes through the Town. Candlewood Lake, created by Connecticut Light & Power in the 1920s, covers over 900 acres within the Town, providing nine miles of shoreline and numerous recreational opportunities.

A local community theatre was first established in 1924 and incorporated as the Sherman Players in 1949. The theatre is housed in the Town-owned Sherman Playhouse, and the Town helps to maintain this historic former church. The adjacent Town-owned Scouthouse also dates from 1837 and is used for various scouting activities.

The Town's Plan of Development was last updated and approved by the Planning and Zoning Commission in 2001. An updated Plan is in progress. The Plan is founded on the premise that Sherman is and wishes to remain a rural community. Highlights of the Plan include:

- A clearly delimited Town center containing commercial and municipal services;
- Low population density;
- No industrial activity;
- Limited commercial activity;
- Substantial areas devoted to forestation, agriculture and open space;
- Protection of scenic vistas, recreation areas and natural features; and
- No use of sewers or offsite water systems.

These principles are entirely compatible with the Growth Management Plan for the Housatonic Valley Region as adopted in 1997, as well as its Regional Plan of Conservation and Development adopted in 2009. The Town of Sherman is a member of the council that created the Growth Management Plan.

Government Organization

The Town operates under the provisions of the Connecticut General Statutes. The chief executive officer is the elected First Selectman. The legislative body is the Town Meeting, which has final approval of the annual budget, major special appropriations, and bond and note authorizations (except for refunding bonds, which only need to be approved by the Board of Selectmen). Administrative and fiscal matters are under the control of a three-member Board of Selectmen.

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Years of Service</u>
First Selectman	Andrea O'Connor	Elected/2 years	7 years
Selectman	Edward Hayes	Elected/2 years	3 years
Selectman	Kate McConaghy	Elected/2 years	1 year
Interim Superintendent of Schools	Michael Perrone	Appointed	13 years ¹
Treasurer	E. Eric Holub	Elected/2 years	4 years
Town Attorney	Jeffrey Sienkiewicz	Appointed	6 years

¹ Mr. Perrone served as Superintendant for 13 years prior to his retirement in 2008 and currently is serving as interim Superintendent.

Summary of Municipal Services

Police Protection: The Town has contracted with the State of Connecticut for Resident Trooper support. This contract provides daily coverage Monday through Friday with support coverage from the Southbury Barracks in the evening and on weekends. The department budget includes overtime expenses and office space in Town for this trooper and is currently \$112,779 for the budget period through June 30, 2011.

Fire Protection: The 65-member Sherman Volunteer Fire Department along with its ambulance team serves the Town. Members update their skills with mandated and non-mandated courses throughout the year. The department holds drill nights weekly and meetings monthly for program development and other member-related issues. The department also provides emergency, medical and fire-safety awareness to the students of the Sherman School as well as training for residents in CPR and operation of AEDs located in public buildings.

Public Works Department: The Public Works Department is responsible for the maintenance, repair and plowing of more than 37 miles of Town-owned roads and all municipal parking lots, including the school, library, senior center, Town Hall and Sherman Playhouse parking lots. Storm drain and building maintenance are also duties of the Public Works Department. The crew consists of a working Supervisor and four full-time employees. Equipment consists of six six-wheel dump trucks for plowing and hauling, a ten-wheel dump truck, a payloader/backhoe and two pickup trucks, along with assorted attachments and mowing equipment. The Department also stores and maintains the 14-passenger senior van.

Park and Recreation: The Park and Recreation Department employs a Director, Clerk and 32 seasonal employees, including lifeguards, camp counselors, coaches for sports, and one part-time grounds person. The Department controls the three sports fields with their soccer fields, baseball fields and four tennis courts. There is a Town beach and many miles of walking trails maintained by this department. The summer programs of Junior and Senior Camp are well attended, with up to 135 children in total. The department also sponsors an after-school program, SPARK, that served 57 children in 2009-10.

The Sherman Library: A 12-member Library Board of Trustees, a Director, two library assistants, one children's programmer and an administrative assistant oversee the Sherman Library. Over 125 adult and student volunteers contributed more than 3,000 hours of their time in fiscal year 2010, giving the Town one of the highest volunteer rates in the state. Over 200 programs include year-round programs for children ages three to twelve, a summer reading club for youngsters, special presentations, One Book One Lake Regional Community Read featuring 40 events and programs, a Friday night book discussion group and monthly art exhibits. In 2010, circulation was 44,000 items.

Sherman Historic District Commission: The Historic District Commission is dedicated to the preservation of the Historic District located in the village center.

Educational System

The Sherman public school system provides a full education program locally for students in grades pre-kindergarten through 8. High school students attend New Milford, Shepaug, Nonnewaug, Brookfield and New Fairfield High Schools on a tuition basis and a State-sponsored vocational school, Henry Abbott Tech. A small number of special education students are individually placed in accordance with their particular educational needs.

The Town's school system consists of one school building housing the local pre-kindergarten through grade 8 population and having a rated capacity of 512. As of October 2009, enrollment was 444 students.

School Enrollments (K through 8 only)

<u>As of October 1</u>	<u>Total Enrollment</u>
<i>Historical</i>	
2000	468
2001	477
2002	501
2003	493
2004	484
2005	487
2006	480
2007	455
2008	458
2009	444
<i>Projected</i>	
2010	397
2011	362
2012	335

Principal Public Facilities

Other Public Facilities

<u>Facility</u>	<u>Date Constructed</u>	<u>Most Recent Additions/ Renovations</u>	<u>Planned Major Improvements/ Replacements</u>
Mallory Town Hall	1976	-	-
Old Town Hall	1886	2008	-
Town Garage	1968	2002	-
Firehouse	1951	1960	2009-10 ¹
Playhouse/Scout House	1837	2001	-

¹A portion of the proceeds of this issue is being used for firehouse renovations.

School Facilities

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction (Last Renovated)</u>	<u>Number of Classrooms</u>	<u>Enrollment 10/1/09</u>	<u>Rated Capacity</u>
The Sherman School	Pre-K-8	1937 (2001)	30	444	512

Municipal Employees¹

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
General government	20.5	20.5	20.5	20.5	21.5
Board of Education	<u>75.9</u>	<u>73.2</u>	<u>62.8</u>	<u>66.0</u>	<u>63.1</u>
Total	96.4	93.7	83.3	86.5	84.6

¹ Full-time equivalent. Does not include seasonal Parks and Recreation employees.

Municipal Employees Bargaining Organizations

<u>Employees</u>	<u>Bargaining Organizations</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<i>General Government</i>			
Public Works	Teamsters Local 677	4	06/30/13
Administrative and Clerical ...	Teamsters Local 677	6	06/30/13
<i>Board of Education</i>			
Teachers	Sherman Educational Association	42	08/31/12
Non-certified	American Federation of State, County and Municipal Employees, AFL-CIO, Local 1303-319	20	06/30/10 ¹

¹ In negotiation.

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

SECTION III – DEMOGRAPHIC AND ECONOMIC DATA SECTION

Population Trends and Densities

<u>Year</u>	<u>Population¹</u>	<u>Percent Change</u>	<u>Density²</u>
2008	4,106	7.3	174.7
2000	3,827	36.2	162.9
1990	2,809	23.1	119.5
1980	2,281	56.3	97.1
1970	1,459	76.8	62.1
1960	825	-	35.1

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

² Population per square mile: 23.5 square miles.

Age Distribution of the Population

<u>Age¹</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	247	6.5	223,344	6.5
5 to 9 years	305	8.0	244,144	7.2
10 to 14 years	309	8.1	241,587	7.1
15 to 19 years	207	5.4	216,627	6.4
20 to 24 years	74	1.9	187,571	5.5
25 to 34 years	288	7.5	451,640	13.2
35 to 44 years	708	18.5	581,049	17.1
45 to 54 years	678	17.7	480,807	14.1
55 to 59 years	295	7.7	176,961	5.2
60 to 64 years	210	5.5	131,652	3.9
65 to 74 years	283	7.4	231,565	6.8
75 to 84 years	174	4.5	174,345	5.1
85 years and over	<u>49</u>	<u>1.3</u>	<u>64,273</u>	<u>1.9</u>
Total	3,827	100.0	3,405,565	100.0
2000 median age (years) ¹	42.1	-	37.4	-
1990 median age (years) ²	39.8	-	34.4	-

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

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

Income Distribution

	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 – 9,999	19	1.7	33,423	3.8
10,000 – 14,999	12	1.1	23,593	2.7
15,000 – 24,999	37	3.4	63,262	7.1
25,000 – 34,999	58	5.3	75,413	8.5
35,000 – 49,999	132	12.1	120,134	13.6
50,000 – 74,999	203	18.5	198,924	22.5
75,000 – 99,999	214	19.5	141,981	16.0
100,000 – 149,999	235	21.5	132,177	14.9
150,000 – 199,999	77	7.0	42,472	4.8
200,000 and over	108	9.9	54,368	6.1
Total	1,095	100.0	885,747	100.0

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

Comparative Income Measures

	<u>Town of Sherman</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$39,070	\$28,766
Median family income, 1999	\$81,996	\$65,521
Median household income, 1999	\$76,202	\$53,935

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

Educational Attainment

Years of School Completed – Age 25 and Over

	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th grade	29	1.1	132,917	5.8
9 th to 12 th grade, no diploma	123	4.6	234,739	10.2
High school graduate	643	23.9	653,300	28.5
Some college, no degree	573	21.3	402,741	17.5
Associate's degree	184	6.9	150,926	6.6
Bachelor's degree	678	25.2	416,751	18.2
Graduate or professional degree	458	17.0	304,243	13.2
Total	2,688	100.0	2,295,617	100.0
Total high school graduate or higher	-	94.3	-	84.0
Total bachelor's degree or higher	-	42.3	-	31.4

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

Labor Force Data

<u>Reporting Period Average</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate Percent</u>		
				<u>Town of Sherman</u>	<u>Danbury Labor Market</u>	<u>State of Connecticut</u>
June 2010	2,181	2,043	138	6.3	7.3	8.9
2009	2,144	2,016	128	6.0	7.3	8.2
2008	2,160	2,085	75	3.5	4.5	5.7
2007	2,178	2,110	68	3.1	3.6	4.6
2006	2,138	2,076	62	2.9	3.4	4.4
2005	2,117	2,047	70	3.3	3.8	4.9
2004	2,087	2,026	61	2.9	3.8	4.9
2003	2,081	2,021	60	2.9	4.2	5.5
2002	2,042	1,989	53	2.6	3.4	4.4
2001	2,000	1,963	37	1.9	2.5	3.1
2000	1,992	1,964	28	1.4	1.7	2.3

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

Industry Classification

<u>Sector</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining	14	0.7	7,445	0.4
Construction	151	7.9	99,913	6.0
Manufacturing	196	10.2	246,607	14.8
Wholesale trade	107	5.6	53,231	3.2
Retail trade	139	7.2	185,633	11.2
Transportation, warehousing and utilities	92	4.8	64,662	3.9
Information	99	5.1	55,202	3.3
Finance, insurance, real estate and leasing	183	9.5	163,568	9.8
Professional, scientific, management, administrative and waste management	284	14.8	168,334	10.1
Educational, health and social services	349	18.2	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	109	5.7	111,424	6.7
Other services	111	5.8	74,499	4.5
Public administration	87	4.5	67,354	4.1
Total	1,921	100.0	1,664,440	100.0

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

**Commute to Work
16 years of age and over**

	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone	1,508	79.5	1,312,700	80.0
Car pools	138	7.3	154,400	9.4
Using public transportation	97	5.1	65,827	4.0
Walked	39	2.1	44,348	2.7
Using other means	10	0.5	12,130	0.8
Worked at home	<u>104</u>	<u>5.5</u>	<u>51,418</u>	<u>3.1</u>
Total	1,896	100.0	1,640,823	100.0
Mean travel to work (minutes)	38.8	-	24.4	-

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

Age Distribution of Housing

<u>Household Characteristics</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier	227	14.1	308,896	22.3
Built in 1940-1969	594	37.0	571,218	41.2
Built in 1970-1979	336	20.9	203,377	14.7
Built in 1980-1989	277	17.3	183,405	13.2
Built in 1990-1994	88	5.5	56,058	4.0
Built in 1995-March 2000	<u>84</u>	<u>5.2</u>	<u>63,021</u>	<u>4.6</u>
Total	1,606	100.0	1,385,975	100.0

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

Housing Units by Type of Structure

<u>Household Characteristics</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached	1,591	99.1	816,706	58.9
Single-family attached	8	0.5	71,185	5.1
Multifamily	7	0.4	485,890	35.1
Mobile home, trailer, or other	<u>-</u>	<u>-</u>	<u>12,194</u>	<u>0.9</u>
Total	1,606	100.0	1,385,975	100.0

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

Housing Unit Vacancy Rates

<u>Housing Units</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units	1,434	89.3	1,301,670	93.9
Vacant housing units	<u>172</u>	<u>10.7</u>	<u>84,305</u>	<u>6.1</u>
Total units	1,606	100.0	1,385,975	100.0
Homeowner vacancy rate	-	0.6	-	1.1
Rental vacancy rate	-	1.6	-	5.6

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

Owner-Occupied Housing Units

	<u>Town of Sherman</u>	<u>State of Connecticut</u>
Total owner-occupied units	1,311	869,729
Persons per unit	2.70	2.67

<u>Specified Owner-Occupied Units</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	-	-	5,996	0.8
\$ 50,000 to \$ 99,999	4	0.3	85,221	11.7
\$100,000 to \$149,999	72	6.2	212,010	29.1
\$150,000 to \$199,999	230	19.8	156,397	21.5
\$200,000 to \$299,999	435	37.5	137,499	18.9
\$300,000 to \$499,999	272	23.5	79,047	10.9
\$500,000 or more	<u>147</u>	<u>12.7</u>	<u>52,074</u>	<u>7.1</u>
Total	1,160	100.0	728,244	100.0
Median value	\$259,500	-	\$166,900	-

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

Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>New Dwellings</u>	<u>Construction Value</u>
2010	362	4	\$11,563,613
2009	378	2	9,872,503
2008	449	7	12,167,508
2007	468	7	14,486,614
2006	485	19	10,978,153
2005	557	12	11,625,508
2004	579	24	18,582,344
2003	647	34	17,746,799
2002	553	35	12,977,698
2001	574	43	15,337,325
2000	570	41	20,150,971 ¹

¹ Includes Sherman School additions and renovations.

Number and Size of Households

<u>Household Characteristics</u>	<u>Town of Sherman</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households	3,827	-	3,297,626	-
Persons per household (average)	2.67	-	2.53	-
Persons per family (average)	3.09	-	3.08	-
Family households	1,093	76.2	881,170	67.7
Non-family households	<u>341</u>	<u>23.8</u>	<u>420,500</u>	<u>32.3</u>
All households	1,434	100.0	1,301,670	100.0
Family households by type				
Married couple	980	89.7	676,467	76.8
Female householders, no spouse	74	6.8	157,411	17.8
Other	<u>39</u>	<u>3.5</u>	<u>47,292</u>	<u>5.4</u>
Total family households	1,093	100.0	881,170	100.0
Non-family households by type				
Householders living alone	269	78.9	344,224	81.9
Other	<u>72</u>	<u>21.1</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households	341	100.0	420,500	100.0

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

SECTION IV - DEBT SECTION

Debt Summary As of August 26, 2010 (Pro Forma)

Outstanding Short-term Debt

The Town of Sherman does not have any short-term debt outstanding.

Outstanding Bonded Debt

<u>Dated Date</u>	<u>Final Maturity</u>	<u>Purpose</u>	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
12/15/02	08/15/19	School refunding bonds	3.00-5.00	\$8,125,000	\$ 3,590,000
08/15/10	08/15/29	This issue	-	6,750,000	<u>6,750,000</u>
Total					\$10,340,000

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

Overlapping/Underlying Debt

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

Bonded Debt Maturity Schedule As of August 26, 2010 (Pro Forma)

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments¹</u>	<u>Total Payments</u>	<u>This Issue</u>	<u>Cumulative Principal Retired (%)</u>
2011 ²	\$ -	\$ 79,098	\$ 79,098	\$ -	-
2012	410,000	149,995	559,995	275,000	6.62
2013	405,000	133,695	538,695	300,000	13.44
2014	405,000	117,495	522,495	300,000	20.26
2015	400,000	101,395	501,395	325,000	27.27
2016	395,000	83,520	478,520	325,000	34.24
2017	395,000	63,770	458,770	325,000	41.20
2018	395,000	44,020	439,020	325,000	48.16
2019	395,000	25,652	420,652	325,000	55.13
2020	390,000	8,580	398,580	325,000	62.04
2021	-	-	-	325,000	65.18
2022	-	-	-	400,000	69.05
2023	-	-	-	400,000	72.92
2024	-	-	-	400,000	76.79
2025	-	-	-	400,000	80.66
2026	-	-	-	400,000	84.53
2027	-	-	-	400,000	88.39
2028	-	-	-	400,000	92.26
2029	-	-	-	400,000	96.13
2030	-	-	-	<u>400,000</u>	100.00
Total	\$3,590,000	\$807,220	\$4,397,220	\$6,750,000	

¹ Does not include interest on this issue.

² Excludes \$570,000 of principal payments and \$89,072 of interest payments made from July 1, 2010 through August 26, 2010.

Statement of Statutory Debt Limitation
As of August 26, 2010
(Pro Forma)

Debt Limitation Base

Estimated total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2010 (unaudited)	\$11,008,884
Debt Limitation Base	\$11,008,884

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit Funding</u>
Debt Limitation by Purpose					
2.25 x base	\$24,769,989	\$ -	\$ -	\$ -	\$ -
4.50 x base	-	49,539,978	-	-	-
3.75 x base	-	-	41,283,315	-	-
3.25 x base	-	-	-	35,778,873	-
3.00 x base	-	-	-	-	33,026,652
Total debt limitation	24,769,989	49,539,978	41,283,315	35,778,873	33,026,652
Less indebtedness					
Bonds of this issue	6,750,000	-	-	-	-
Bonds payable	-	3,590,000	-	-	-
Authorized but unissued	3,500,000	-	-	-	-
Total indebtedness	10,250,000	3,590,000	-	-	-
Less school construction grants	-	33,614	-	-	-
Net total indebtedness	10,250,000	3,556,386	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$14,519,989	\$45,983,592	\$41,283,315	\$35,778,873	\$33,026,652

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$77,062,188.

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

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Population	4,106	4,106	4,110	4,146	4,129
Net taxable grand list	\$673,986	\$665,532	\$655,153	\$644,584	\$633,250
Estimated full value	\$962,837	\$950,759	\$953,932	\$920,834	\$904,643
Equalized net grand list	\$1,101,503	\$1,128,023	\$1,169,220	\$1,072,393	\$903,492
Short-term debt	\$5,000	\$ -	\$ -	\$ -	\$ -
Bonded debt	4,740	5,330	5,930	6,540	7,155
Total overall debt	9,740	5,330	5,930	6,540	7,155
Less grants receivable	68	103	138	136	170
Total overall net debt	\$9,672	\$5,227	\$5,792	\$6,404	\$6,985

Five-Year Debt Statement Summary Ratios

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Overall debt					
Per capita	\$2,372	\$1,297	\$1,442	\$1,577	\$1,733
To net taxable grand list	1.45%	0.79%	0.91%	1.01%	1.13%
To estimated full value	1.01%	0.55%	0.63%	0.71%	0.79%
To equalized net grand list	0.88%	0.47%	0.51%	0.61%	0.79%
Overall net debt					
Per capita	\$2,356	\$1,272	\$1,409	\$1,545	\$1,692
To net taxable grand list	1.44%	0.78%	0.88%	0.99%	1.10%
To estimated full value	1.00%	0.54%	0.62%	0.70%	0.77%
To equalized net grand list	0.88%	0.46%	0.50%	0.60%	0.77%

Current Debt Statement ¹ As of August 26, 2010 (Pro Forma)

Bonded debt	
General purpose (this issue)	\$ 6,750,000
Schools	<u>3,590,000</u>
Total bonded debt	10,340,000
Short-term debt	<u>—</u>
Total overall debt	10,340,000
Less grants receivable ²	<u>33,614</u>
Total overall net debt	\$10,306,386

¹ Does not include authorized but unissued debt of \$4,150,000.

² School building construction grants receivable over the life of outstanding bonds.

Current Debt Ratios As of August 26, 2010 (Pro Forma)

Population (2008) ¹	4,106
Per capita income (1999) ²	\$39,070
Net taxable grand list, 10/1/09	\$739,732,170
Estimated full value	\$1,056,760,243
Equalized net grand list (2007) ³	\$1,101,503,318

	Overall Debt <u>\$10,340,000</u>	Overall Net Debt <u>\$10,306,386</u>
Per capita	\$2,518.27	\$2,510.08
To net taxable grand list	1.40%	1.39%
To estimated full value	0.98%	0.98%
To equalized net grand list	0.94%	0.94%
Ratio of debt per capita to per capita income	6.45%	6.42%

¹ State of Connecticut Department of Public Health estimate.

² U.S. Department of Commerce, Bureau of Census, 2000 Census.

³ State of Connecticut, Office of Policy and Management.

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

Fiscal Year Ended June 30	Annual Debt Service	General Fund Expenditures	Annual Debt Service as Ratio to General Fund Expenditures
2010 (unaudited)	\$779,895	\$11,482,530	6.8%
2009	867,317	12,426,741	7.0
2008	825,645	13,531,782	6.1
2007	853,795	11,669,525	7.3
2006	882,820	11,041,026	8.0
2005	918,695	10,283,440	8.9

Authorized-but-Unissued Debt

Project	Bond Amount Authorized	Previously Bonded	Grants/ Paydowns	Bonds of This Issue	Authorized but Unissued
Infrastructure repairs	\$1,500,000	\$-	\$ 60,750	\$1,439,250	\$ -
Firehouse renovation	4,500,000	-	171,750	4,328,250	-
Library renovation	1,000,000	-	-	-	1,000,000
Open space acquisition ¹	3,500,000	-	17,500	982,500	2,500,000
Total		\$-	\$250,000	\$6,750,000	\$3,500,000

¹ By resolution approved at referendum held on May 15, 2010, this appropriation and bond authorization was reduced by \$2,250,000 to \$1,250,000 but also provided that if the Town received certain grants, then this appropriation and bond authorization shall be increased by the amount of the grants up to the \$2,250,000 reduction.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes. The issuance of bonds and notes is authorized pursuant to a resolution adopted by Town Meeting, except for refunding bonds, which only need to be approved by the Board of Selectmen.

SECTION V - FINANCIAL SECTION

Taxable Grand List (\$ in thousands)

<u>Grand List 10/1</u>	<u>Residential Real Property Percent</u>	<u>Commercial and Industrial Real Property Percent</u>	<u>Other Real Property Percent</u>	<u>Personal Property Percent</u>	<u>Motor Vehicle Percent</u>	<u>Gross Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>	<u>Percent Change</u>
2009	94.0	0.2	0.4	1.2	4.2	\$742,901	\$3,169	\$739,732	1.1
2008 ¹	92.2	0.2	2.5	1.0	4.3	734,985	3,149	731,835	7.9
2007	82.1	0.8	10.7	1.3	5.1	676,917	2,931	673,986	1.3
2006	81.9	0.8	10.8	1.4	5.1	668,351	2,820	665,531	1.6
2005	81.9	0.8	10.8	1.3	5.2	658,076	2,924	655,152	1.6
2004	81.8	0.8	11.0	1.3	5.1	647,335	2,751	644,584	1.8
2003 ¹	81.5	0.9	11.9	1.1	4.6	635,024	1,774	633,250	-

¹ Revaluation.

Tax Collections

<u>Fiscal Year Ended 6/30</u>	<u>Mill Rate</u>	<u>Adjusted Annual Levy</u>	<u>Percent of Annual Levy Collected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected as of 6/30/10</u>
2010 (unaudited)	15.2	\$11,055,504	99.2	0.8	0.8
2009	16.4	11,132,361	99.4	0.6	0.2
2008	16.0	10,655,295	99.4	0.6	-
2007	15.4	10,094,608	99.2	0.8	-
2006	14.5	9,350,263	99.7	0.3	-
2005	14.0	8,774,750	99.8	0.2	-
2004	21.0	8,598,910	99.4	0.6	-

Property Taxes Receivable

<u>Fiscal Year Ended June 30</u>	<u>Current Year</u>	<u>Total</u>
2009	\$58,603	\$64,195
2008	61,882	71,091
2007	81,606	84,589
2006	24,691	26,822
2005	18,687	33,804

Major Taxpayers

<u>Name</u>	<u>Business</u>	<u>Taxable Valuation As of 10/1/09</u>	<u>Percent of Net Taxable Grand List</u>
Heald, Donald A.	Private use	\$11,235,584	1.52
Eight-Ninety Sherman Carlson LLC	Real estate	5,208,374	0.70
River Oaks of Sherman Golf Club	Recreation	3,749,300	0.51
Connecticut Light & Power Co.	Utility	3,740,453	0.51
Mill Pond Farm Assoc., Inc.	Private use	3,616,500	0.49
Cherry, Dorothy Morton	Private use	2,762,200	0.37
Korsant, Philip B.	Private use	2,343,700	0.32
Glashow, Jonathan	Private use	2,278,300	0.31
Edelman, Samuel L. and Louise B.	Private use	2,019,900	0.27
Goldring, Gary F.	Private use	<u>1,937,400</u>	<u>0.26</u>
Total		\$38,891,711	5.26

Net Taxable Grand List for 10/1/09: \$739,732,170.

Intergovernmental Revenues as a Percent of General Fund Revenues

The Town is partially dependent upon financial assistance from the Federal and State governments, which comes primarily in the form of grants for Town operations and education.

Fiscal Year Ended June 30	Intergovernmental Revenues	General Fund Revenues	Aid as a Percentage of General Fund Revenues
2010 (unaudited) ¹	\$ 490,947	\$12,042,515	4.1%
2009	1,223,168	12,789,974	9.6
2008 ²	2,909,293	14,161,944	20.5
2007	1,146,312	11,960,779	9.6
2006	996,261	10,977,736	9.1
2005	710,909	10,039,224	7.1

¹ Budgetary basis; does not include on-behalf payments for teachers' pensions.

² For fiscal year 2008, intergovernmental revenue increased by \$1,815,185 because of a one-time increase in on-behalf payments for teacher pensions as a result of issuance of pension obligation bonds by the State of Connecticut.

General Fund Balance Sheets

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/05</u>
Assets					
Cash and cash equivalents	\$ 335,060	\$ 535,853	\$ 903,823	\$614,933	\$ 165,479
Investments	724,527	978,088	6,118	5,836	344,990
Property taxes receivable	64,195	71,091	84,589	26,822	35,540
Other receivables	67,807	102,557	229,716	158,981	213,325
Due from other funds	351,603	13,044	58,228	58,228	835,000
Prepaid expenses	2,000	-	-	-	-
Restricted cash	-	-	37	46,593	-
Total assets	<u>\$1,545,192</u>	<u>\$1,700,633</u>	<u>\$1,282,511</u>	<u>\$911,393</u>	<u>\$1,594,334</u>
Liabilities and fund balance					
Liabilities					
Accounts payable and accrued expenses	\$ 97,290	\$ 379,377	\$ 363,894	\$200,756	\$ 518,655
Deferred revenues	<u>119,855</u>	<u>155,126</u>	<u>195,447</u>	<u>147,471</u>	<u>216,654</u>
Total liabilities	217,145	534,503	559,341	348,227	735,309
Fund balance					
Restricted	10,750	10,750	-	-	-
Unreserved:					
Designated	-	194,235	16,734	-	533,320
Undesignated	<u>1,317,297</u>	<u>961,145</u>	<u>706,436</u>	<u>563,166</u>	<u>325,705</u>
Total fund balance	<u>1,328,047</u>	<u>1,166,130</u>	<u>723,170</u>	<u>563,166</u>	<u>859,025</u>
Total liabilities and fund balance	<u>\$1,545,192</u>	<u>\$1,700,633</u>	<u>\$1,282,511</u>	<u>\$911,393</u>	<u>\$1,594,334</u>
 Operating revenues	 \$12,789,974	 \$14,161,944	 \$11,960,779	 \$10,977,736	 \$10,039,224
 Fund equity as percent of operating revenues	 10.4%	 8.2%	 6.0%	 5.1%	 8.6%
Undesignated fund equity as percent of operating revenues	10.3%	6.8%	5.9%	5.1%	3.2%

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2006 through 2009 have been derived from audited financial statements. The adopted budget for 2010-11 and estimated results of operation for 2009-10 are provided by the Town. The Town's independent accountants have not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the Town of Sherman's management.

	Budget 2010-11	Estimated 2009-10¹	2008-09	2007-08	2006-07	2005-06
Revenues						
Property taxes	\$11,577,970	\$11,141,206	\$11,179,958	\$10,704,292	\$10,090,927	\$ 9,394,994
Intergovernmental	458,042	490,947	1,223,168	2,909,293	1,146,312	996,261
Investment income	12,000	11,761	57,828	141,465	162,487	53,703
Licenses and permits	125,290	120,027	126,656	169,972	205,331	161,503
Departmental revenues	213,000	240,791	200,720	235,688	353,696	361,413
Other	<u>28,130</u>	<u>37,783</u>	<u>1,644</u>	<u>1,234</u>	<u>2,026</u>	<u>9,862</u>
Total revenues	12,414,432	12,042,515	12,789,974	14,161,944	11,960,779	10,977,736
Expenditures						
General government	748,999	768,942	883,810	812,973	762,317	707,409
Public safety	382,564	368,239	467,565	391,660	375,919	300,056
Public works	737,149	684,516	966,722	923,864	820,352	737,373
Health and welfare	87,794	57,964	94,042	70,220	57,356	49,454
Culture and recreation	327,161	338,603	289,147	345,668	370,347	272,366
Education	8,256,055	8,044,320	8,775,336	10,040,900	8,034,774	7,606,951
Other	506,069	440,051	82,802	120,852	394,665	484,597
Debt service	<u>1,165,688</u>	<u>779,895</u>	<u>867,317</u>	<u>825,645</u>	<u>853,795</u>	<u>882,820</u>
Total expenditures	12,211,479	11,482,530	12,426,741	13,531,782	11,669,525	11,041,026
Excess (deficiency) of revenues over expenditures	202,953	559,985	363,233	630,162	291,254	(63,290)
Other financing sources (uses):						
Operating transfers in	-	-	2,448	-	-	4,412
Operating transfers out	<u>(202,953)</u>	<u>(206,320)</u>	<u>(203,764)</u>	<u>(187,202)</u>	<u>(131,250)</u>	<u>(246,796)</u>
Total other financing sources (uses)	(202,953)	(206,320)	(201,316)	(187,202)	(131,250)	(242,384)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing uses	-	353,665	161,917	442,960	160,004	(305,674)
Fund balance, July 1		1,328,047	1,166,130	723,170	563,166	859,025
Prior period adjustment		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,815</u>
Fund balance, July 1, restated		<u>1,328,047</u>	<u>1,166,130</u>	<u>723,170</u>	<u>563,166</u>	<u>868,840</u>
Fund balance, June 30		\$1,681,712	\$1,328,047	\$1,166,130	\$723,170	\$563,166

¹ Preliminary, unaudited.

Summary of Accounting Principles

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

Budget Adoption Procedure

All Town departments, including the Board of Education, submit their budget requests to the Board of Selectmen by March 15th for review. The Board of Selectmen holds public hearings on the budget before making a final budget presentation at the annual Town Meeting on the first Friday in May. The Town Meeting is adjourned to a referendum to vote on the budget, and once the budget is adopted the mill rate is set by the Board of Selectmen in special session.

Assessment Practices

The Town of Sherman last performed a full revaluation effective with the October 1, 2008 Grand List. Under Section 12-62 of the General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a physical inspection no later than ten years from the preceding physical inspection. Prior to completion of each valuation, the assessor shall conduct a field review. The Town expects to complete a statistical revaluation as of the October 1, 2013 Grand List.

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

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

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

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 31 (automobiles purchased in August and September are not taxed until the next October 1 Grand List). Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor's Office is also responsible for the administration of several property exemption and payment in lieu of taxes programs which include, but are not limited to, the following: special veterans programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing and enterprise zone exemptions; private colleges and general hospitals; and State-owned property reimbursement programs.

Annual Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent certified public accountant firm to audit its financial records annually. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of the report must with such office within six months of the end of the fiscal year. For fiscal year ended June 30, 2009, the audit was conducted by Levitsky & Berney, a professional corporation of certified public accountants in Woodbridge, Connecticut.

Tax Levy and Collection

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

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

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

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

Investment Practices

Sections 7-400, 7-401 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit; repurchase agreements; municipal notes, bonds, obligations of the United States, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal home loan banks, all Federal land banks, the Tennessee Valley Authority, or any other agency of the United States government. Mutual funds and money market funds that meet certain statutory requirements are also permitted investments.

The Town's investment practices have been to invest only in certificates of deposit, repurchase agreements (collateralized by U.S. Government securities), the State of Connecticut Short Term Investment Fund, MBIA Class Investment Fund and the State of Connecticut Tax Exempt Proceeds Fund. The Town Treasurer has followed these investment practices, and the Town's operating funds and capital funds are currently invested in the following short-term investments: (1) the State of Connecticut Short Term Investment Fund, (2) the State of Connecticut Tax Exempt Proceeds Fund, (3) short-term municipal securities, (4) U.S. Government agency securities, and (5) repurchase agreements.

Pension Plans

The Town is the administrator of a single-employer defined benefit pension plan. The plan is contributory and covers substantially all full-time employees, except certified employees of the Board of Education covered under the State of Connecticut Teachers Retirement System. The Town's funding policy provides for periodic employer contributions at actuarially determined amounts that are sufficient to accumulate assets to pay benefits when due.

The defined benefit pension plan was frozen as of June 30, 2005 and replaced by a 457(b) defined contribution plan. The Town provides a 100% match of each employee's deferred compensation, up to 3%. The Town continues to fund the defined benefit pension plan based on computations provided by the Town's actuary to ensure adequate funding of this plan.

Certified Town teachers are eligible participate in the State of Connecticut Teachers Retirement System, a contributory defined benefit plan established under Chapter 167a of the Connecticut General Statutes, which is administered by the State Teachers Retirement Board. Teachers are required to contribute 7% of their annual earnings to the plan. The Town does not contribute to the plan.

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

Other Post-Employment Benefits

The Town does not provide any post-employment benefits other than pensions to any employees.

SECTION VI - ADDITIONAL INFORMATION

Litigation

Following consultation with Sienkiewicz & McKenna, P.C., counsel for the Town of Sherman, and other attorneys providing legal services to the Town, Town officials advise that the Town of Sherman, its officers, employees, boards and commissions are defendants in a number of lawsuits. With regard to such lawsuits, it is the Town officials' opinion that no such matter will be finally determined so as to materially adversely affect the Town of Sherman's financial position.

Continuing Disclosure

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form included in Appendix C to this Official Statement (the "Continuing Disclosure Agreement for Bonds"), to provide or cause to be provided, in accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The original purchaser'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. The Town has complied with its obligations under prior continuing disclosure agreements with respect to the Town's bonds and notes.

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

Documents to Be Furnished at Closing

The original purchaser will be furnished, subject to delivery of reoffering yield information as requested, the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay the principal of or interest on the Bonds.
2. A certificate on behalf of the Town, signed by the First Selectman and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the 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 Shipman & Goodwin LLP, Bond Counsel, of Hartford, Connecticut, substantially in the form attached hereto as Appendix B.
5. An executed Continuing Disclosure Agreement substantially in the form attached hereto as Appendix C.

6. Within seven business days after the award, the Town will furnish the original purchaser of the Bonds 50 copies of the Official Statement as prepared by the Town. Additional copies may be obtained by the original purchaser at its own expense by arrangement with the printer. The copies of the Official Statement will be made available to the original purchaser at the office of the Town's financial advisor and will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the original purchaser.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the principal office of the Paying Agent in Hartford, Connecticut and may be examined upon reasonable notice.

Concluding Statement

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

TOWN OF SHERMAN, CONNECTICUT

By _____
Andrea O'Connor
First Selectman

By _____
E. Eric Holub
Treasurer

Dated as of August ___, 2010

APPENDIX A - AUDITOR'S SECTION

TOWN OF SHERMAN, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2009

TOWN OF SHERMAN, CONNECTICUT

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TOWN OF SHERMAN, CONNECTICUT

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LEVITSKY & BERNEY

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INDEPENDENT AUDITOR'S REPORT

Board of Selectmen
Town of Sherman
Sherman, Connecticut

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, on our consideration of the Town of Sherman, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on page 3a-3i is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sherman, Connecticut's basic financial statements. The budgetary detailed information, combining and individual non-major fund financial statements, other supplemental information presented as schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detailed information, the combining and individual non-major fund financial statements, and the other supplemental information presented as schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.


LEVITSKY & BERNEY, P.C.
Certified Public Accountants

September 30, 2009

Town of Sherman, Connecticut
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

As management of the Town of Sherman, 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, 2009. We encourage readers to consider the information presented here along with additional information furnished in the Town's basic financial statements that follow this section.

The Town's discussion and analysis is designed to:

1. Provide an overview of the Town's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify any material deviations from the financial plan (approved budget).
4. Identify changes in the Town's financial position, as well as its ability to address challenges in future years.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$12,758,453 (net assets). This is an increase of \$415,174 which is an increase of 3.4% from the prior fiscal year.
- Government-wide revenues were \$13,226,647 (down 11.1%) and expenses were \$12,811,473 (down 8.2%). On a government-wide basis, revenues exceeded expenditures by \$415,174.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$873,655, a decrease of \$857,069 from the prior fiscal year. This represents the combined balances in the General, Bonded Projects, Capital Nonrecurring, Special Projects, Land Acquisition Fund, and other smaller funds.
- In the General Fund, revenues exceeded expenditures and transfers by \$161,917.
- At the end of the current fiscal year, the unreserved/undesignated General Fund balance was \$1,317,297. This represents 10.3% of total General Fund revenues and net transfers in the current fiscal year, and is an improvement of 3.5% from the prior year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses. All of the resources which the Town has at its disposal are shown, including major assets such as buildings and infrastructure. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The statement of net assets (Exhibit A) presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. One can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities (Exhibit B) presents information showing how the Town's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements present the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, public works, health and welfare, culture and recreation, and education.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. The Town, like other state and local governments, uses fund accounting to help it maintain control and manage money that have been segregated for specific activities or objectives. All of the funds of the Town are divided into two categories: governmental 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 the Town's near-term financing requirements.

Because the focus of governmental funds 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 for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town'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 (Exhibit E).

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet (Exhibit C) and in the governmental fund statement of revenues, expenditures and changes in fund balances (Exhibit D) for the General, Bonded Projects, and Capital Nonrecurring funds. Data from other governmental funds are combined into a single, aggregated presentation as Other Governmental funds. A further breakdown of these funds is presented in Schedules 3 and 4.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget in the General Fund schedule of revenues and other financing sources (Schedule 1) and General Fund schedule of expenditures and other financing uses (Schedule 2).

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets (Exhibit G) and changes in fiduciary net assets (Exhibit H). The Town excludes these activities from the Town's other financial statements because the Town cannot use these funds to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time the change in net assets may be a useful indicator of the Town's financial position. The Town's combined assets exceeded its combined liabilities by \$12,758,453 on June 30, 2009. This was an increase of \$415,177 or 3.3% from the prior year.

Town of Sherman Net Assets

	2009	2008	Total % Change
<u>Assets</u>			
Cash and Cash Equivalents	2,044,275	2,546,488	-19.7%
Investments	3,960,220	4,576,686	-13.5
Receivables	132,002	173,648	-24.0%
Prepaid Expenses	2,000	-	na
Capital Assets, Not Being Depreciated	1,332,481	1,196,851	11.3%
Capital Assets, Net of Accumulated Depreciation	<u>15,612,471</u>	<u>15,115,789</u>	<u>3.3%</u>
Total Assets	23,083,449	23,609,462	-2.2%
<u>Liabilities</u>			
Accounts Payable and Other Liabilities	101,337	393,822	-74.3%
Payments in Advance	-	502	-100.0%
Accrued Interest Payable	177,899	254,157	-30.0%
Bond Anticipation Note	5,043,650	5,017,150	0.5%
Non-Current Liabilities:			
Due within one year	704,128	703,964	0.0%
Due in more than one year	<u>4,297,982</u>	<u>4,896,588</u>	<u>-12.2%</u>
Total Liabilities	10,324,996	11,266,183	-8.4%
<u>Net Assets</u>			
Restricted for enabling legislation	10,750	10,750	0.0%
Investment in Capital Assets, Net of Related Debt	12,204,952	10,982,640	11%
Unrestricted	<u>542,751</u>	<u>1,349,889</u>	<u>-59.8%</u>
Total Net Assets	<u>12,758,453</u>	<u>12,343,279</u>	<u>3.3%</u>

By far, the largest portion of the Town's net assets \$12,204,952 reflects its investment in capital assets (e.g., land, buildings, furniture, fixtures, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that 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.

The remaining unrestricted net assets of \$542,751 may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities increased the Town's net assets by \$415,174. Key elements of the increase are as follows:

Town of Sherman Changes in Net Assets

	2009	2008	Total % Change
Revenues:			
Property taxes	11,145,189	10,699,440	4.2%
Charges for services	338,893	405,660	-16.5%
Operating grants and contributions	1,239,012	2,678,560	-53.7%
Capital grants and contributions	281,237	660,619	-57.4%
Unrestricted grants and contributions	92,167	119,480	-22.9%
Investment earnings	130,149	327,661	-51.9%
Other	-	17,734	-100.0%
Total Revenues	13,226,647	14,909,154	-11.1%
Expenses			
General, cultural and recreation	1,562,768	1,391,239	12.3%
Public safety	532,418	478,945	11.2%
Public works	1,098,856	979,856	12.1%
Health and welfare	94,042	69,286	35.7%
Education	9,161,685	10,435,758	-12.2%
Other	37,795	236,605	-84.0%
Interest on long-term debt	323,909	367,249	-11.8%
Total Expenses	12,811,473	13,958,938	-8.2%
Increase (Decrease) in Net Assets	415,174	950,216	-56.3%

Revenues decreased by \$1,682,507 (11.1%) Approximately 84.1% of the Town's revenues came from property taxes, followed by 9.3% from operating grants and contributions, and 6.6% from all other revenue sources.

Major revenue factors included:

- Property tax revenues increased \$445,749 (4.2%) over the prior year and resulted from an increase in the taxable grand list of \$8,451,663 (1.3%), an increase in the mill rate

- from 16.0 to 16.4 mills (2.5%), a tax collection rate of over 99%, and supplemental taxes for motor vehicles and new construction.
- Operating grants and contributions for governmental activities decreased by \$1,439,548 (53.7%) due to grants and contributions associated with education, town aid roads, and other state programs.
- Capital grants for governmental activities decreased by \$379,382 (57.4%) in part due to STEAP grant receipts for the renovation of Old Town Hall received in the prior fiscal year.
- Investment earnings decreased by \$197,512 (51.9%) and reflect lower rates of return from the State of Connecticut's Short-Term Investment Fund (STIF) and the Town's other investment accounts. Throughout fiscal year 2009, interest rates decreased substantially and the Town also became much more conservative in its investments. This resulted in a lower rate of return than was realized in the prior year.

Expenses decreased \$1,147,465 (8.2%) from the prior fiscal year. Approximately 71.5% of the Town's expenses relate to education, followed by 12.2% for general, cultural and recreation, and 16.3% for other expenditures.

Major expense factors included:

- Increased spending on general, cultural and recreation of \$171,529 (up 12.3%), increased spending on public works of \$119,000 (up 12.1%), public safety of \$53,473 (up 11.2%), health and welfare of \$24,756 (up 35.7%) and a decreased in interest on long-term debt of \$43,340 (down 11.8%) from the prior year.
- Decreases in education expense of \$1,274,073 (12.2%) due to State Teachers' Retirement and On-behalf payments (a decrease of \$1,672,947).
- Spending associated with capital projects funded by the Town's capital non-recurring fund was \$359,430 (up 242.8%) and the Town made significant progress in renovating the Old Town Hall into a Senior Center and completed the bathroom facilities at Veterans Field.

Financial Analysis of the Fund Financial Statements

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$873,655, a net decrease of \$857,069 from the prior year:

The General Fund is the operating fund of the Town. At the end of the current fiscal year, unreserved and undesignated portion of the General Fund balance was \$1,317,297. As a measure of the General Fund's liquidity, it is useful to compare unreserved fund balance to total fund revenues. Unreserved and undesignated General Fund balance represents 10.7% of total General Fund revenues in the current fiscal year.

The Town's General Fund balance (including restricted and designated) increased by \$161,917 during the current fiscal year. The Town had budgeted a balanced 2008-2009 budget, and these key factors contributed to this increase in fund balance:

<u>Ending Balance as of:</u>	<u>2009</u>	<u>2008</u>	<u>Change</u>
General Fund	1,328,047	1,166,130	161,917
Bonded Projects	(668,318)	(72,479)	(595,839)
Capital Nonrecurring	465,893	466,788	(895)
Renaissance Center	3,230	10,819	(7,589)
Land Acquisition	(312,991)	43,339	(356,330)
Revaluation Fund	15,762	73,183	(57,421)
Other Funds	<u>42,032</u>	<u>42,944</u>	<u>(912)</u>
Total	<u>873,655</u>	<u>1,730,724</u>	<u>(857,069)</u>

- Property tax collections exceeded budgetary estimates by \$207,128 due to strong collection rates and supplemental taxes on motor vehicles and new construction.
- Investment Income fell short of budgetary estimates by \$24,172 and reflects the impact of lower interest rates and the Town's desire to become more conservative in its investments due to economic uncertainty.
- Conveyance taxes were down 15.7% year-to-year as expected. This resulted from a weak real estate market with fewer sales than in the past year.
- Licenses and Permits for Building, Zoning, Health and Inland-Wetlands missed budgetary estimates by \$17,376, also associated with a weaker real estate market.
- The SPARK program, which was designed to be self-funding, had expenses greater than revenues by \$12,585 attributed to lower after school enrollments.
- Education expenditures were over the approved budget by \$194,368, but this does not reflect additional educational revenues received from the state in the amount of \$221,254 for excess cost and special education. Had these additional funds been included in the budget, education expenditures would have been \$26,886 below budget.

General Fund Budgetary Highlights

Differences between the final amended budgets and actual results can be briefly summarized as follows:

Revenues exceeded appropriations by \$381,015:

- Additional tax receipts of \$207,128 including back taxes, interest and fees
- Additional Educational grants of \$221,254 including State Educational Cost Sharing and REAP
- Investment income lower than budget by \$24,172
- Licenses, permits, fees, services charges and all other lower than budget by \$71,539

Expenditures exceeded appropriations by \$213,629:

- Board of Education of \$194,368 over budget (offset by \$221,254 in unbudgeted grants)
- Public Works of \$66,804 over budget

- Public Safety of \$8,599 over budget
- Buildings of \$6,717 over budget
- Counsel and Court Costs of \$5,196 over budget
- Committee on Aging of \$3,589 over budget
- This was offset by all other departments and line items of \$71,644 under budget in the following categories: Tax Collector, Planning and Zoning Commission, Registrars, Health and Welfare, and Workmen's Compensation, Liability, Auto & Property Insurance, as well as other smaller under runs.

A comparative year-to-year analysis of the General Fund is shown below:

<u>Town of Sherman General Fund</u>				
	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>Total % Change</u>
Revenues:				
Property taxes	11,179,958	10,704,292	475,666	4.4%
Licenses and permits	126,656	169,972	(43,316)	-25.5%
Intergovernmental	1,223,168	2,909,293	(1,686,125)	-58.0%
Charges for services	200,720	235,688	(34,968)	-14.8%
Investment earnings	57,828	141,465	(83,637)	-59.1%
Other	1,644	1,234	410	33.2%
Total Revenue	<u>12,789,974</u>	<u>14,161,944</u>	<u>(1,371,970)</u>	<u>-9.7%</u>
Expenditures:				
General, cultural and recreation	1,172,957	1,158,641	14,316	1.2%
Public safety	467,565	391,660	75,905	19.4%
Public works	966,722	923,864	42,858	4.6%
Health and welfare	94,042	70,220	23,822	33.9%
Education	8,775,336	10,040,900	(1,265,564)	-12.6%
Other	82,802	120,852	(38,050)	-31.5%
Debt service - principal	590,000	600,000	(10,000)	-1.7%
Debt service - interest	277,317	225,645	51,672	22.9%
Total Expenditures	<u>12,426,741</u>	<u>13,531,782</u>	<u>(1,105,041)</u>	<u>-8.2%</u>
Excess (Deficiency) of revenues over (under) expenditure	<u>363,233</u>	<u>630,162</u>	<u>(266,929)</u>	<u>-42.4%</u>
Net Transfers out	<u>(201,316)</u>	<u>(187,202)</u>	<u>(14,114)</u>	<u>7.5%</u>
Net transfers	<u>(201,316)</u>	<u>(187,202)</u>	<u>(14,114)</u>	<u>7.5%</u>
Net change in Fund Balance	<u>161,917</u>	<u>442,960</u>	<u>(281,043)</u>	<u>-63.4%</u>
Fund Balance - beginning	<u>1,166,130</u>	<u>723,170</u>	<u>442,960</u>	<u>61.3%</u>
Fund Balance - ending	<u>1,328,047</u>	<u>1,166,130</u>	<u>161,917</u>	<u>13.9%</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$16,312,640 (net of accumulated depreciation) compared to \$16,372,950 in the prior fiscal year. This investment in capital assets includes land, building and system improvements, machinery, equipment, park facilities, roads, and bridges and is down \$60,310 (down 0.4%) from the prior year.

Town of Sherman Capital Assets at Year-end

(Net of Depreciation)

	<u>2009</u>	<u>2008</u>	<u>Total % Change</u>
Land	891,959	535,959	66.4%
Buildings and Improvements	11,752,373	11,406,893	3.0%
Furniture, Fixtures, Vehicles and Equipment	783,726	968,389	-19.1%
Infrastructure	3,076,372	2,740,507	12.3%
Construction in progress	<u>440,522</u>	<u>660,892</u>	<u>-33.3%</u>
Totals	<u>16,944,952</u>	<u>16,312,640</u>	<u>3.9%</u>

Additional information on the Town's capital assets may be found in Note 7.

Long-term Liabilities

At the end of the current fiscal year, the Town had \$4,740,000 in bonds outstanding versus \$5,330,000 last year – a decrease of \$590,000 (11.1%). These are serial school bonds with interest rates ranging from 3% to 5% and varying expiration dates to July 2020.

All debt is backed by the good faith and credit of the Town. The Town of Sherman was last rated "Aaa" by Moody's Investor Service for general obligation debt. Such ratings reflect only the views of such agencies and could be subject to change.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total tax collections. The current debt limitation for the Town is \$78.2 million, which is significantly higher than the Town's current outstanding general obligation debt.

Other obligations of the Town include liabilities for compensated absences and a net pension obligation. Additional information on the Town's long-term liabilities can be found in Note 8.

Town of Sherman Outstanding Debt at Year-end

	<u>2009</u>	<u>2008</u>	<u>Total % Change</u>
Long Term Debt / Liabilities:			
General obligation bonds	4,740,000	5,330,000	-11.1%
Net pension obligation	24,076	19,820	21.5%
Employee compensated absences	<u>238,034</u>	<u>250,732</u>	<u>-5.1%</u>
	<u>5,002,110</u>	<u>5,600,552</u>	<u>-10.7%</u>

Pension Plan

The Town closed its Defined Benefit Pension Plan to new employees and froze participants' monthly pension calculations as of June 30, 2005 (i.e., no additional benefits will accrue under the plan for the subsequent periods). The Town established a Defined Contribution Pension Plan for its employees on July 1, 2005. Under this plan, employees could contribute a portion of their pay to the plan, and the Town matches 100% of the employees' contribution up to 3% of gross pay.

Additional information on the Town's employee retirement plans can be found in Note 11.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected officials considered many factors when setting the fiscal year 2010 budget and property tax rates. One of those factors is the economy. As of June 2009, unemployment in the Town stood at 5.7% versus 3.5% a year ago. Although higher year-to-year, this compares favorably with the State's unemployment rate of 8.0%.

With an overwhelming reliance on property taxes, the Town's income stream is relatively stable, even during a recession. However, this lack of diversity represents a long-term problem for Connecticut municipalities as those most vulnerable to a specific tax rebel against its increase.

The Town is facing increasing economic burdens from municipal expenditures associated with education, rising fuel and energy costs, and repairs to the Town's infrastructure.

All of these factors were considered while preparing the Town's General Fund budget for the 2010 fiscal year. With an increase in the grand list of 8.6% (after revaluation) and a corresponding decrease in the mill rate of 7.2%, property tax revenues will remain relatively flat year-to-year. With expected reductions in revenues from other sources, the Town has reduced its budgeted expenditures by 1.1%.

If the 2009-2010 budget estimates are realized, the Town's budgetary General Fund balance is expected to increase by \$18,597 as of June 30, 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman's Office, P.O. Box 39, Sherman, CT 06784.

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 2,044,275
Investments	3,960,220
Receivables	132,002
Prepaid expenses	2,000
Capital assets, not being depreciated	1,332,481
Capital assets, net of accumulated depreciation	<u>15,612,471</u>
Total Assets	\$ <u>23,083,449</u>
LIABILITIES	
Accounts payable and other liabilities	\$ 101,337
Accrued interest payable	177,899
Bond anticipation note	5,043,650
Non-current liabilities:	
Due within one year	704,128
Due in more than one year	<u>4,297,982</u>
Total Liabilities	\$ <u>10,324,996</u>
NET ASSETS	
Restricted for enabling legislation	\$ 10,750
Investment in capital assets, net of related debt	12,204,952
Unrestricted	<u>542,751</u>
Total Net Assets	\$ <u><u>12,758,453</u></u>

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

TOWN OF SHERMAN, CONNECTICUT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>
Governmental Activities:	
General government	\$ 1,215,555
Public safety	532,418
Public works	1,098,856
Health and welfare	94,042
Cultural and recreation	347,213
Education	9,161,685
Other	37,795
Interest on long-term debt	323,909
Total Governmental Activities	\$ 12,811,473

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

EXHIBIT B

			Net (Expenses) Revenue and Changes in Net Assets
Program Revenues			
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
243,197	7,000		(965,358)
1,160			(531,258)
	132,754		(966,102)
16,821			(77,221)
77,715		281,237	11,739
	1,099,258		(8,062,427)
			(37,795)
			(323,909)
<u>338,893</u>	<u>1,239,012</u>	<u>281,237</u>	<u>(10,952,331)</u>

General Revenues:

Property taxes	\$ 11,145,189
Grants and contributions not restricted to specific programs	92,167
Investment earnings	<u>130,149</u>
Total General Revenues	<u>\$ 11,367,505</u>

Change In Net Assets \$ 415,174

Net Assets-Beginning 12,343,279

Net Assets-Ending \$ 12,758,453

TOWN OF SHERMAN, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

ASSETS		General
Assets:		
Cash and cash equivalents	\$	335,060
Investments		724,527
Taxes receivable		64,195
Intergovernmental receivable		67,807
Prepaid expenses		2,000
Due from other funds		351,603
Total Assets	\$	<u>1,545,192</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$	97,290
Due to other funds		
Deferred revenue		119,855
Bond anticipation notes		
Premium on BAN		
Total Liabilities	\$	<u>217,145</u>
Fund Balances:		
Restricted - enabling legislation	\$	10,750
Unreserved, designated for encumbrances		
Unreserved, undesignated reported in:		
General fund		1,317,297
Special projects		
Capital projects		
Total Fund Balance	\$	<u>1,328,047</u>
Total Liabilities and Fund Balance	\$	<u>1,545,192</u>

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

<u>Bonded Projects</u>	<u>Capital and Nonrecurring</u>	<u>Other Governmental</u>	<u>Totals</u>
1,609,579		99,636	2,044,275
2,769,800	465,893		3,960,220
			64,195
			67,807
			2,000
			351,603
<u>4,379,379</u>	<u>465,893</u>	<u>99,636</u>	<u>6,490,100</u>
4,047			101,337
		351,603	351,603
			119,855
5,000,000			5,000,000
43,650			43,650
<u>5,047,697</u>	<u>-</u>	<u>351,603</u>	<u>5,616,445</u>
			10,750
			-
			1,317,297
		42,032	42,032
(668,318)	465,893	(293,999)	(496,424)
(668,318)	465,893	(251,967)	873,655
<u>4,379,379</u>	<u>465,893</u>	<u>99,636</u>	

**Amount reported for governmental activities in the
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

16,944,952

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

119,855

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

(5,180,009)

Net Assets of Governmental Activities \$ 12,758,453

TOWN OF SHERMAN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2009

	General
Revenues:	
Property taxes	\$ 11,179,958
Licenses and permits	126,656
Intergovernmental	1,223,168
Charges for services	200,720
Investment earnings	57,828
Other	1,644
Total Revenues	\$ 12,789,974
Expenditures:	
General	\$ 883,810
Public safety	467,565
Public works	966,722
Health and welfare	94,042
Culture and recreation	289,147
Education	8,775,336
Other	82,802
Capital outlay	
Debt service:	
Principal	590,000
Interest	277,317
Total Expenditures	\$ 12,426,741
Excess (Deficiency) Of Revenues Over (Under) Expenditures	\$ 363,233
Other Financial Sources (Uses):	
Transfer in	\$ 2,448
Transfer (out)	(203,764)
Total Other Financial Sources	\$ (201,316)
Net Change in Fund Balance	\$ 161,917
Fund Balance - beginning	\$ 1,166,130
Fund Balance - ending	\$ 1,328,047

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

Bonded Projects	Capital Nonrecurring	Other Governmental	Totals
			11,179,958
			126,656
	204,633	184,615	1,612,416
			200,720
67,039	3,610	1,672	130,149
5,575	275	4,023	11,517
<u>72,614</u>	<u>208,518</u>	<u>190,310</u>	<u>13,261,416</u>
		83,829	967,639
			467,565
			966,722
			94,042
			289,147
		102,614	8,877,950
		1,527	84,329
545,603	359,430	475,891	1,380,924
			590,000
122,850			400,167
<u>668,453</u>	<u>359,430</u>	<u>663,861</u>	<u>14,118,485</u>
<u>(595,839)</u>	<u>(150,912)</u>	<u>(473,551)</u>	<u>(857,069)</u>
	186,957	53,747	243,152
	<u>(36,940)</u>	<u>(2,448)</u>	<u>(243,152)</u>
<u>-</u>	<u>150,017</u>	<u>51,299</u>	<u>-</u>
<u>(595,839)</u>	<u>(895)</u>	<u>(422,252)</u>	<u>(857,069)</u>
<u>(72,479)</u>	<u>466,788</u>	<u>170,285</u>	<u>1,730,724</u>
<u>(668,318)</u>	<u>465,893</u>	<u>(251,967)</u>	<u>873,655</u>

**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, 2009

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) and the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit D) are different because:

Net change in fund balances -- Total Governmental Funds (Exhibit D)	\$ (857,069)
--	--------------

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 depreciation exceeded capital outlays in the current period.

632,312

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

(34,769)

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

674,700

Change in net assets of governmental activities. (Exhibit B)

\$ 415,174

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues and Other Financial Sources:				
Property taxes	\$ 10,972,830	10,972,830	11,179,958	207,128
Investment income	82,000	82,000	57,828	(24,172)
Licenses and permits	146,475	146,475	129,099	(17,376)
Fees and service charges	213,350	213,350	200,720	(12,630)
Education grants	295,325	295,325	531,491	236,166
Governmental grants	233,666	233,666	224,921	(8,745)
Miscellaneous revenues	1,000	1,000	1,644	644
Total revenues and other financial sources	\$ 11,944,646	11,944,646	12,325,661	381,015
Expenditures and Other Financial Uses:				
Current:				
General government	\$ 661,100	664,100	647,257	16,843
Building and grounds	133,042	134,600	141,317	(6,717)
Public safety	383,057	385,557	394,156	(8,599)
Public works	708,173	708,173	774,977	(66,804)
Health and welfare	60,813	61,813	50,402	11,411
Insurance	447,669	447,669	438,072	9,597
Other	562,857	554,042	530,402	23,640
Debt service:				
Principal retirements	590,000	590,000	590,000	-
Interest and other charges	278,685	278,685	277,317	1,368
Board of education	8,093,369	8,093,369	8,287,737	(194,368)
Total expenditures and other uses	\$ 11,918,765	11,918,008	12,131,637	(213,629)
	\$ 25,881	26,638	194,024	167,386
Add:				
Selectman approved surplus spending on vehicle purchase			(11,268)	
Unexpended 2008 encumbrances			173,396	
Net change in general fund's unreserved, undesignated fund balance			\$ 356,152	
Unreserved, undesignated fund balance, July 1, 2008			961,145	
Unreserved, undesignated fund balance, June 30, 2009			\$ 1,317,297	

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Employee Retirement Funds	Trust Funds
ASSETS		
Cash and cash equivalents	\$ <u> </u>	<u>85,833</u>
	\$ <u> -</u>	<u>85,833</u>
Investments at fair value	\$ <u>521,448</u>	<u> </u>
Total investments	\$ <u>521,448</u>	<u> -</u>
Accounts receivable	\$ <u>25,000</u>	<u> </u>
Total Assets	\$ <u>546,448</u>	<u>85,833</u>
LIABILITIES		
Due to student groups and agencies	\$ <u> -</u>	<u>85,833</u>
Total Liabilities	\$ <u> -</u>	<u>85,833</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ <u>546,448</u>	<u> -</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the year ended June 30, 2009

	Employee Retirement Funds
Additions:	
Contributions:	
Employer	\$ 25,000
Total contributions	<u>\$ 25,000</u>
Investments Income (Loss):	
Interest and dividends	\$ 21,732
Net (decrease) in fair value of investments	<u>(169,348)</u>
	<u>\$ (147,616)</u>
Less: Investment expenses	
Investment management fees	<u>\$ (6,196)</u>
Net investment income	<u>\$ (153,812)</u>
Total Additions	<u>\$ (128,812)</u>
Deductions:	
Benefits and other deductions	<u>\$ 32,947</u>
Total Deductions	<u>\$ 32,947</u>
Net Increase (Decrease)	<u>\$ (161,759)</u>
Net Assets, Beginning of Year	<u>708,207</u>
Net Assets, End of Year	<u><u>\$ 546,448</u></u>

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

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Town of Sherman (The "Town") was established in 1802 under the provisions of the Home Rule Law of the State of Connecticut. It operates under a Board of Selectman form of government.

The Town provides a full range of services including public safety, roads, sanitation, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting board for governmental accounting financial reporting principles. These principles require that the Town report government-wide and fund financial statements, which are described below.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which is normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separated component units described above. The Town of Sherman does not report component units or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

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. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Fund financial statements

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

The 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are assessed as of October 1, and are levied on the following July 1. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes 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 to be used to pay liabilities of the current period. For this purpose, the government considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental grant revenues and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and funds are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and paid after 60 days of the fiscal year end.

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the Town government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

Additionally, the government reports the following fund types:

The **Pension Trust Funds** account for activities of the Town's defined benefit plans, which accumulate resources for pension benefit payments to qualified employees.

The **Agency Funds** account for monies held as a custodian for outside groups and agencies.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS **June 30, 2009, Continued**

Assets, liabilities and net assets or equity

Cash and cash equivalents

The Town considers cash on hand, deposits and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

Inventories and prepaid items

Inventories are stated at the lower of cost or market using the consumption method on the first-in, first-out basis for governmental fund types.

Receivables and payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade account allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

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

Building	50 Years
Building improvements	20 Years
Infrastructure	15 - 50 Years
Machinery and equipment	5 - 20 Years
Licensed vehicles	5-8 Years
Computer equipment	5 Years

Compensated absences

Under the terms of employment, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation and sick days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated sick days. The Town recognizes a liability for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Deferred revenue

Deferred revenue arises when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Long-term obligations

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

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

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009, Continued

Fund equity and net assets

In the government-wide financial statements, net assets are classified in the following categories:

The investment in capital assets, net of related debt category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

The *restricted net assets* present external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The *unrestricted net assets* include those net assets not categorized in any of the above categories.

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

The *reserves fund balance* - this category indicates that portion of fund equity which has been legally segregated for specific purposes.

The *undesignated and unreserved fund balance* category indicates that portion of fund equity which is available for appropriations and expenditures in future periods. The portion that is designated notes managements intentions for the funds, which may change at anytime.

Note 2 - Budgets and Budgetary Accounting

The Statement of Revenues and Expenditures, Budget to Actual presented in the financial statements as required supplemental information (RSI) for the General Fund is on the budgetary basis of accounting which is a basis of accounting other than the accrual basis and the modified basis of accounting. The budgetary basis of accounting and the Town's general budget policies are as follows:

- a. In January, all departments are asked to submit their budget requests to the First Selectman.
- b. During January and February, the First Selectman compiles these budget requests into a draft budget.
- c. In March, the Board of Selectmen, acting as the Board of Finance, holds hearings at which entities formally present their budget requests and rationale for same. Following the hearings, the Board of Selectmen meet in a workshop to finalize the budget.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

- d. At the March Board of Selectmen's meeting, the Board of Selectmen, acting as the Board of Finance, approves the budget and schedules a Town Meeting at which the budget will be presented (usually in early May). The Town Meeting is held then adjourned to a referendum vote on the budgets (Town and Education budgets are voted on separately.)
- e. By recommendation from the First Selectman, and certification of the Treasurer, the Board of Selectman may transfer appropriations from one department to another. Within any one department, appropriation may be transferred without the Selectman's approval. Other than capital and nonrecurring items, unencumbered appropriations lapse at year end.
- f. Formal budgetary integration is employed as a management control device during the year for the general fund. Only the general fund is required to be budgeted.
- g. The legal level of control is at the department level.
- h. Encumbrances are recognized as a valid and proper charge against a budget issued appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. Other than those that are not capital or nonrecurring, if an appropriation is not encumbered it lapses at year-end and may not be used by the department.
- i. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009, Continued

General Fund

A reconciliation of general fund operations and fund balance presented on a budgetary basis to the amounts presented in accordance with accounting principles generally accepted in the United States of America is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, Budgetary Basis	\$ 12,325,661	12,131,637
Recorded as other financial sources (uses) through interfund transfers.	(2,443)	(203,764)
Designated items to be used for the Education noncertified employee negotiations were reserved on June 30, 2008 and expended in June 30, 2009.		20,844
Purchase of vehicle through general fund surplus, approved by Town Selectmen		11,268
State Teachers' Retirement and On- behalf payment, not recognized for budgetary purposes	<u>466,756</u>	<u>466,756</u>
Balance, GAAP Basis	\$ <u>12,789,974</u>	<u>12,426,741</u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009, Continued

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The detail of this difference is as follows:

Accrued interest	\$ 177,899
Bonds payable	4,740,000
Net pension obligation	24,076
Compensated absences	<u>238,034</u>
Net adjustment to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u>\$ 5,180,009</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital outlay	\$ 1,442,982
Depreciation expense	<u>(810,670)</u>
Net adjustment to decrease net changes in fund balance - total government funds to arrive at changes in net assets of governmental activities	<u>\$ 632,312</u>

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

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

Principal repayments of general obligations	\$ 590,000
Net change in other long-term liabilities	8,442
Net change in accrued interest	<u>76,258</u>
Net adjustment to decrease <i>net assets in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 674,700</u>

Note 4 - Deposits and Investments

The Town's deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and Cash Equivalents:			
Governmental funds	\$ 2,044,275		2,044,275
Fiduciary	85,833		85,833
Investments:			
Governmental funds		3,960,220	3,960,220
Fiduciary		521,448	521,448
Total Deposits and Investments	<u>\$ 2,130,108</u>	<u>4,481,668</u>	<u>6,611,776</u>

Deposits

Custodial Credit Risk

As of June 30, 2009, the Town's above deposits had bank balances of approximately \$2,538,631, of which \$250,000 was covered under federal depository insurance. Provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2009 the Town maintained approximately \$260,000 of uninsured and collateralized deposits under the provision.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009, Continued

Investments

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

<u>Investment Type</u>	<u>Investment Fair Value</u>	<u>Less Than 1 Year</u>
State investment fund	\$ 3,960,220	3,960,220
Mutual funds	521,448	521,448
Tax exempt proceeds fund	50	50
Total	\$ 4,481,718	4,481,718

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State Law limits investments to the obligations of the United States of America, including the joint and several obligations of the Federal Home Mortgage Corporation, Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, all the federal intermediate credit banks, the Central Bank of Cooperatives, the Tennessee Valley Authority, or any other Agency of the United States Government.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2009 for the Town's individual major funds and non-major fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	<u>General Fund</u>
Property taxes	\$ 64,195
Intergovernmental:	
State school construction	<u>67,807</u>
Total net receivables	\$ <u>132,002</u>

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 52,048		52,048
Intergovernmental grants		<u>67,807</u>	<u>67,807</u>
Total deferred revenue	\$ <u>52,048</u>	<u>67,807</u>	<u>119,855</u>

Payables

Payables as of June 30, 2009 for the Town's were as follows:

Vendors	\$ 85,343
Payroll	<u>15,994</u>
Total payables	\$ <u>101,337</u>

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009, Continued

Bond Anticipation Notes Payable

The Town has issued a Bond Anticipation Note on August 28, 2008, which was paid in full on August 28, 2009 with an interest rate of 2.5%.

Note 6 - Interfund Receivables, Payables and Transfers

Interfund receivables and payables at June 30, 2009 consisted of the following:

<u>Payable Fund</u>	<u>Receivables General Fund</u>
Capital Projects:	
Land Acquisition Fund	\$ 350,000
Special Education fund	<u>1,603</u>
Total Interfund Balances	<u>\$ 351,603</u>

These balances represent advances from the General Fund for capital outlays that will be reimbursed through State and Federal grants and are intended to be repaid subsequent to year end.

A summary of interfund transfers is presented below:

Transferred To:	<u>General Fund</u>	<u>Capital and Nonrecurring</u>	<u>Dog Fund</u>	<u>Total</u>
General Fund	\$		2,448	2,448
Capital and Nonrecurring	186,957			186,957
Revaluation	16,807			16,807
Renaissance Center		25,000		25,000
Veterans Field		<u>11,940</u>		<u>11,940</u>
Total Interfund Transfers	\$ <u>203,764</u>	<u>36,940</u>	<u>2,448</u>	<u>243,152</u>

The transfers from the general fund were to fund the above capital projects. All transfers to the general fund were residual equity from completed projects.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Note 7 - Capital Assets

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

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2009</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 535,959	356,000		891,959
Construction in progress	<u>660,892</u>	<u>84,681</u>	<u>305,051</u>	<u>440,522</u>
Total capital assets, not being depreciated	<u>\$ 1,196,851</u>	<u>440,681</u>	<u>305,051</u>	<u>1,332,481</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,830,611	835,162		16,665,773
Furniture, fixtures				
vehicles and equipment	2,530,610	11,268		2,541,878
Infrastructure	<u>6,831,575</u>	<u>460,922</u>		<u>7,292,497</u>
Total capital assets being depreciated	<u>\$ 25,192,796</u>	<u>1,307,352</u>	<u>-</u>	<u>26,500,148</u>
Less, Accumulated depreciation:				
Buildings and improvements	\$ 4,423,718	489,682		4,913,400
Furniture, fixtures				
vehicles and equipment	1,562,221	195,931		1,758,152
Infrastructure	<u>4,091,068</u>	<u>125,057</u>		<u>4,216,125</u>
Total accumulated depreciation	<u>\$ 10,077,007</u>	<u>810,670</u>	<u>-</u>	<u>10,887,677</u>
Capital assets being depreciated, net of depreciation	<u>\$ 15,115,789</u>	<u>496,682</u>	<u>-</u>	<u>15,612,471</u>
Total governmental activities	<u>\$ 16,312,640</u>	<u>937,363</u>	<u>305,051</u>	<u>16,944,952</u>

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

Government Activities:	
General government	\$ 260,614
Education	283,735
Public safety	64,853
Public works	132,134
Culture and recreation	<u>69,334</u>
Total depreciation expense- governmental activities	<u>\$ 810,670</u>

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Note 8 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt:					
General obligation bonds	\$ 5,330,000		590,000	4,740,000	590,000
Other long-term liabilities:					
Net pension obligation	19,820	29,256	25,000	24,076	4,128
Compensated absences	250,732	16,835	29,533	238,034	110,000
Total long-term liabilities	\$ 5,600,552	46,091	644,533	5,002,110	704,128

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General Obligation Bonds are direct obligations and pledge the good faith and credit of the government. These bonds generally are issued as 15 year or 20 year serial bonds with equal amounts of principal maturing each year.

As of June 30, 2009, the outstanding general obligation bonded indebtedness of the Town was as follows:

Refunding serial school bonds with interest rates ranging from 3% to 5% and varying expiration dates range from March, 2004 to July, 2020. \$ 4,740,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2010	\$ 580,000	188,295
2011	570,000	168,170
2012	410,000	149,995
2013	405,000	133,695
2014	405,000	117,495
2015-2019	1,980,000	318,357
2020	390,000	8,580
	<u>\$ 4,740,000</u>	<u>1,084,587</u>

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

The State of Connecticut reimburses the Town for eligible principal and interest costs of the portion of the capital improvement bond issues used for school construction. No reimbursement was received for the year ended June 30, 2009. The Town expects to receive \$67,806, in principal payments with no interest payments reimbursed over the next two years. The principal portion of the receivable is included in the government-wide financial statements; however, since it is not available for current liabilities, the revenues are deferred in the fund financial statements.

Un-issued Bond Authorization

Authorizations of general obligation bonds that remained un-issued as of June 30, 2009 are summarized below:

	<u>Date Authorized</u>	<u>Authorized and Un- issued July 1, 2008</u>
General Government:		
Open Space Acquisition	4/12/08	\$ 3,500,000
Construction, reconstruction and renovation of the existing firehouse	4/12/08	4,500,000
Expansion and remodeling of the Sherman Library, including barn	4/12/08	1,000,000
Repair of Town roads, roadside elements and Town bridges	4/12/08	<u>1,500,000</u>
Total bonds authorizations, un-issued		<u>\$ 10,500,000</u>

Advance and Current Refunding

The Town has issued \$8,125,000 of general obligation refunding bonds on December 1, 2002 to provide resources to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on old bonds. As a result, these bonds were considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. At June 30, 2009, \$4,671,694 of the Town's general obligation debt was considered defeased.

Note 9 - Restricted Fund Balance

Enabling Legislation

The Board of Selectmen reserved \$10,750 of the general fund surplus to be used for payments on the long-term compensated absences.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Note 10 - Commitments and Contingencies

Litigation Liabilities

Based upon consultation with counsel, the Town's management estimates that any potential claim against the Town will be covered by insurance.

Note 11 - Employee Retirement Plans

Town Employees Defined Benefit Plan

Plan description

The Town contributes to a single employer defined benefit pension Plan. The Plan is considered to be part of the Town's financial reporting entity and is included in the financial report as a Pension Trust Fund and does not issue a stand-alone financial statement. Plan benefit and contribution requirements are established by the Plan, which may be amended by the Town.

Effective June 30, 2005, the Plan was closed to new employees and participant's monthly pensions were frozen (i.e. no additional benefits will accrue under the Plan for the subsequent periods).

Based on the actuarial valuation report dated July 1, 2007, of the Town, membership consisted of:

Active participants	24
Terminated vested participants	6
Retired	<u>2</u>
Total	<u><u>32</u></u>

Benefit provisions

The Plan is contributory and covers substantially all regular employed permanent employees of the Town employed as of June 30, 2005. Prior to June 30, 2005, employees contributed 3% of earnings. Beginning July 1, 2005, employees are not required to contribute to the Plan. The only elected or appointed officials covered are those paid a salary by the Town, working more than five months a year and twenty hours per week. In order to be eligible for the Plan, the employee must complete one full year of service and attain a minimum age of twenty-two. Employees covered by the State Teacher's Retirement System are excluded from this Plan.

Normal retirement date is sixty-two with twenty years of credited service or sixty-five. The annual benefit is 1.6% of 1986-87 earnings for years of service through June 30, 1987 plus 1.6% of earnings for each year of participation since July 1, 1987, for a maximum of forty years. The Plan contains a provision for early retirement at age fifty-five and after ten years of credited service at reduced benefits. The Plan also contains provisions for disability retirement and spouse's benefits. There is no provision for increases in benefits after retirement.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Basis of accounting

The Plan's financial statements are prepared on the accrual basis of accounting. Contributions are recorded as paid by the employer, and the benefits are recorded as payments are due.

Valuation of investments

Investments are valued at fair market value.

Actuarial reports

The Town of Sherman elects to have an actuarial report prepared every two years.

Contribution

The Town's funding policy provides for periodic employer contributions as actuarially determined rates that are sufficient to accumulate the assets needed to pay benefits when due. Certain costs for administering the Plan are paid by the earnings in the Pension Trust Fund. The annual required contribution and the actual contribution was \$29,256.

Schedule of Funding Progress

Actuarial Valuation Date July 1,	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)
2005	\$ 628,110	579,821	(48,289)	108%
2006	645,746	723,198	(15,227)	102%
2007	743,423	762,005	18,582	98%

Above information is not available for July 1, 2008 because a valuation report is prepared every other year.

Schedule Of Employer Contribution

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 55,311	75.6 %
2006	19,872	00.0
2007	29,256	00.0
2008	29,256	68.4
2009	29,256	85.6

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Notes to Schedule of Funding Progress

The data presented in the schedule of funding progress and schedule of employer contributions were determined as part of the actuarial valuation at the date indicated. Additional information for both plans as of the latest valuation is as follows:

Valuation Date	July 1, 2007
Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Not Required
Remaining Amortization Period	Not Applicable
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	5.75%
Projected Salary Increases	0.0%

Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	\$ 29,256
Contribution made	<u>25,000</u>
Increase (decrease) in net pension obligation	\$ 4,256
Net pension obligation (asset), beginning of year	<u>19,820</u>
Net pension obligation (asset), end of year	<u>\$ 24,076</u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligations (Asset)</u>
6/30/07	16,056	0%	10,564
6/30/08	9,256	189%	19,820
6/30/09	39,143	63%	24,076

Town Employees Defined Contribution Plan

Beginning July 1, 2005, the Town offered a Defined Compensation plan to the employees with over 1,000 of employment hours. Under the plan, employees may contribute a portion of their pay to the plan and the Town has agreed to match 100%, up to 3% of the gross pay, of the employee's contribution. In the fiscal year ended June 30, 2009, the Town paid \$23,863 into the Contribution Plan.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009, Continued

Teachers' Retirement System

Teachers within the Town's school system participate in a retirement plan administered by the Connecticut State Teacher's Retirement Board.

Covered Employees

The Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the Plan is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units. Participation in the Plan is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement Plan (TIAA-CREF).

Vesting Requirements

A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60.

Pension Contribution Requirements/Amounts by State

The pension contributions made by the State to the Plan are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. For the fiscal year ended June 30, 2009, approximately \$466,756 was expended by the State on behalf of the Town to meet the State's funding requirements. The results of the State's actuarial valuation at June 30, 2008 did not contain information, which would show the development of the State's actuarial cost by local districts. The State's appropriation represented 15.44% of the total estimated payroll.

Participants are required to contribute 7.25% of their annual salary rate to the system as required by CGS Section 10-183b (7). For the 2008/2009 school year, \$219,170 mandatory contributions were deducted from the salaries of teachers who were participants of the plan during that school year. The estimated covered payroll for Sherman is \$3,023,031.

Note 12 – Risk Management

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town obtains commercial insurance for these risks and claims have not exceeded commercial coverage.

Settled claims have not exceeded commercial coverage in any of the past three years.

TOWN OF SHERMAN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009, Continued

Note 13 – Fund and Budget Deficits

The Town's Bonded Project and land acquisition funds showed fund balance deficits of \$641,893 and \$312,991, respectively for the year ended June 30, 2009, which are expected to be fully funded through a future general obligation bonds. The Education Grant's Fund also has a deficit of \$1,603, which will be funded through subsequent receipts.

The general fund's budget to actual shows the following department deficits:

Building and Grounds	\$	6,717
Public Safety		8,599
Public Works		66,804
Board of Education		194,368

The Board of Education's expenditures over appropriations were the result of expenditures on special education grants, which received more funds than expected.

Note 14 - Subsequent Events

Bond Anticipation Note Issuance

In August 2009, the Town had issued a short-term note in anticipation of a general obligation bond. The note, totaling \$5,000,000 is required to be paid in full on August 2010 and was used on the refunding of the August 30, 2009 Bond Anticipation Note and addition funds to be used for bonded projects.

Pronouncements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2006 that has effective dates that may impact future financial presentations. The following statement may have a significant impact on the financial statements, depending upon the results of an actuarial study to be undertaken before the effective date.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, issued June 2004, will be effective for the Town beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property Taxes:				
Collections - current	\$ 10,942,830	10,942,830	11,063,367	120,537
Collections - (Past year)	24,000	24,000	66,870	42,870
Interest, lien fees	6,000	6,000	49,721	43,721
Total Property Taxes	<u>\$ 10,972,830</u>	<u>10,972,830</u>	<u>11,179,958</u>	<u>207,128</u>
Investment Income:				
Interest and dividends	\$ 82,000	82,000	57,828	(24,172)
Total Investment Income	<u>\$ 82,000</u>	<u>82,000</u>	<u>57,828</u>	<u>(24,172)</u>
Licenses and Permits:				
Building permits	\$ 112,000	112,000	96,978	(15,022)
Zoning & ZBA permits	18,775	18,775	16,821	(1,954)
Health dept. permits	11,000	11,000	9,875	(1,125)
Inland wetland	2,500	2,500	3,485	985
Other permits	2,200	2,200	1,940	(260)
Total Licenses & Permits	<u>\$ 146,475</u>	<u>146,475</u>	<u>129,099</u>	<u>(17,376)</u>
Fees and Service Charges:				
Conveyance tax	\$ 60,000	60,000	59,029	(971)
Town clerk recording fees	20,000	20,000	22,137	2,137
Copy machine, regulations & dog fund	5,000	5,000	7,039	2,039
Town clerk LoCIP	2,100	2,100	2,460	360
Beach, parks & recreation	71,250	71,250	77,715	6,465
P&R - SPARK	55,000	55,000	32,340	(22,660)
Total Fees & Service Charges	<u>\$ 213,350</u>	<u>213,350</u>	<u>200,720</u>	<u>(12,630)</u>
Educational Grants:				
State Ed: ECS & adult ed	\$ 244,591	244,591	465,845	221,254
School bond grant	34,751	34,751	34,751	-
Transportation grants	8,483	8,483	8,396	(87)
Miscellaneous - Education			4,753	4,753
Tuition (Preschool Only)	7,500	7,500	17,746	10,246
Total Educational Grants	<u>\$ 295,325</u>	<u>295,325</u>	<u>531,491</u>	<u>236,166</u>

(continued)

GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 For the year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Governmental Grants:				
State PILOT program	\$ 100	100	35	(65)
Elderly tax and vets relief	21,846	21,846	17,430	(4,416)
Town aid road	104,281	104,281	104,424	143
Local capital improvement	28,115	28,115	28,330	215
Federal land	430	430	960	530
State boat & Pequot grants	5,820	5,820	5,820	-
ConnDOT grant	14,692	14,692	14,692	-
Mashuntucket Pequot grant	21,664	21,664	22,330	666
CL & P grant	10,575	10,575		(10,575)
Telephone line grant	26,143	26,143	22,288	(3,855)
Miscellaneous Grants	-		8,612	8,612
Total Governmental Grants	\$ 233,666	233,666	224,921	(8,745)
Miscellaneous Revenue:				
Cancelled encumbrances				
Miscellaneous town revenue	\$ 1,000	1,000	1,644	644
Total Miscellaneous Revenue	\$ 1,000	1,000	1,644	644
Total Revenues and Other Financing Sources	\$ 11,944,646	11,944,646	12,325,661	381,015

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
General Government:				
Board of selectmen	\$ 114,408	115,408	117,326	(1,918)
Treasurer	13,230	13,230	13,076	154
Tax collector	53,940	53,940	47,946	5,994
Town clerk	91,652	91,652	91,193	459
Assessor	85,262	86,262	82,353	3,909
Board of assessment appeals	205	205	144	61
Building department	99,708	99,708	96,575	3,133
Planning and zoning commission	81,869	82,869	76,282	6,587
Zoning board of appeals	4,381	4,381	2,830	1,551
Inland-wetland commission	12,036	12,036	11,584	452
Counsel and court costs	40,000	48,946	54,142	(5,196)
Registrars	30,822	21,876	16,751	5,125
H.V.C.E.O.	4,097	4,097	4,097	-
Legal notices and postage	21,400	21,400	26,175	(4,775)
Land use consultant	8,090	8,090	6,783	1,307
Total General Government	\$ 661,100	664,100	647,257	16,843
Buildings & Grounds:				
Buildings	\$ 133,042	134,600	141,317	(6,717)
Total Buildings & Grounds	\$ 133,042	134,600	141,317	(6,717)
Public Safety:				
Police protection	\$ 182,090	182,090	180,392	1,698
Fire protection	102,902	104,402	114,355	(9,953)
Candlewood Lake Authority	61,325	61,325	61,325	-
Animal control	14,835	14,835	14,835	-
Collections and recycling	21,905	22,905	23,249	(344)
Total Public Safety	\$ 383,057	385,557	394,156	(8,599)
Public Works	\$ 708,173	708,173	774,977	(66,804)
Health & Welfare:				
Health department	\$ 48,079	49,079	40,350	8,729
Health and welfare	12,734	12,734	10,052	2,682
Total Health & Welfare	\$ 60,813	61,813	50,402	11,411

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the year ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Insurance:				
Workmen's compensation	\$ 67,691	67,691	58,690	9,001
Payroll taxes	68,664	68,664	67,504	1,160
Pension	45,271	45,271	48,863	(3,592)
Life and medical	186,953	186,953	193,376	(6,423)
Liability, auto & property	79,090	79,090	69,639	9,451
Total Insurance	<u>\$ 447,669</u>	<u>447,669</u>	<u>438,072</u>	<u>9,597</u>
Other:				
Capital reserve	\$ 150,000	158,628	158,627	1
LoCIP	28,185	28,185	28,330	(145)
Land trust	1,030	1,030	216	814
Library	120,000	120,000	120,000	-
Park and recreation	166,275	157,647	134,887	22,760
Parade committee	3,300	3,300	1,284	2,016
Probate court	2,000	2,000	1,009	991
Committee on aging	67,517	66,702	70,291	(3,589)
Historic district	4,700	4,700	4,472	228
Cemeteries	100	100	-	100
Tree warden	8,000	8,000	7,680	320
Miscellaneous	10,000	2,000	2,419	(419)
Conservation commission	1,750	1,750	1,187	563
Total Other	<u>\$ 562,857</u>	<u>554,042</u>	<u>530,402</u>	<u>23,640</u>
Debt Service:				
Principal	\$ 590,000	590,000	590,000	-
Interest	406,185	406,185	266,185	140,000
Continuing disclosure	500	500	500	-
Issuance cost	12,000	12,000	10,632	1,368
Debt reserve	(140,000)	(140,000)	-	(140,000)
Total Debt Service	<u>\$ 868,685</u>	<u>868,685</u>	<u>867,317</u>	<u>1,368</u>
Total General Government Expenditures	<u>\$ 3,825,396</u>	<u>3,824,639</u>	<u>3,843,900</u>	<u>(19,261)</u>
Board of Education:				
Regular educational	\$ 51,169	63,287	63,287	-
Primary	1,070,891	1,089,514	1,089,514	-
Art	98,597	101,527	101,527	-
Music	93,016	90,450	90,450	-
Physical education	103,504	104,331	104,331	-
Science	108,784	98,291	98,291	-
Math	208,578	199,552	199,552	-

(Continued)

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES

BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Social studies	\$ 86,564	84,684	84,684	-
Language arts	245,447	247,761	247,761	-
Other regular programs	247,198	267,984	267,984	-
Exceptional/special education	918,621	934,723	934,723	-
Adult education	3,357	3,389	3,389	-
Medical services	37,294	39,390	39,390	-
Improvement of instructions	44,614	42,287	42,287	-
Educational media services	195,189	223,623	223,623	-
Board of education	39,871	41,986	41,986	-
Administrative services	78,093	85,251	85,251	-
Office of the principal	367,608	368,091	368,091	-
Fiscal services	1,062,999	1,001,959	1,001,959	-
Operation & maintenance	466,867	556,318	556,318	-
Pupil transportation	339,902	342,554	342,554	-
Nonreimbursable travel	3,500	4,531	4,531	-
Student activities	31,862	30,346	30,346	-
Tuition of CT school district	84,678	64,500	64,500	-
Tuition of non-public schools	34,035	27,283	27,283	-
High school tuition	2,071,131	2,005,676	2,005,676	-
Other Special Education Grants			168,449	(168,449)
Miscellaneous		(25,919)		(25,919)
Total Board of Education	\$ 8,093,369	8,093,369	8,287,737	(194,368)
Total Expenditures	\$ 11,918,765	11,918,008	12,131,637	(213,629)

TOWN OF SHERMAN, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue Funds		
	Dog Fund	Education Grants	Document Preservation Fund
ASSETS			
Assets:			
Cash and cash equivalents	\$ 41,766		1,869
Investments			
Total Assets	<u>\$ 41,766</u>	<u>-</u>	<u>1,869</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Due to other funds		1,603	
Total Liabilities	<u>\$ -</u>	<u>1,603</u>	<u>-</u>
Fund Balance:			
Unreserved:			
Fund balance-undesignated	\$ 41,766	(1,603)	1,869
Total Fund Balance	<u>\$ 41,766</u>	<u>(1,603)</u>	<u>1,869</u>
Total Liabilities and Fund Balance	<u>\$ 41,766</u>	<u>-</u>	<u>1,869</u>

Capital Projects Funds				Total Non-Major Governmental Funds
Renaissance Center	Revaluation Reserve Fund	Veteran's Field	Land Acquisition	
3,230	15,762		37,009	99,636
				-
3,230	15,762	-	37,009	99,636
			350,000	351,603
-	-	-	350,000	351,603
3,230	15,762		(312,991)	(251,967)
3,230	15,762	-	(312,991)	(251,967)
3,230	15,762	-	37,009	99,636

TOWN OF SHERMAN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2009

	Special Revenue Funds		
	Dog Fund	Education Grants	Document Preservation Fund
Revenues:			
Intergovernmental	\$	101,011	7,000
Investment earnings	315		26
Other revenues	1,606		810
Total Revenues	<u>\$ 1,921</u>	<u>101,011</u>	<u>7,836</u>
Expenditures:			
General government	\$		8,852
Health and welfare			
Education		102,614	
Capital outlay			
Other			
Total Expenditures	<u>\$ -</u>	<u>102,614</u>	<u>8,852</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,921</u>	<u>(1,603)</u>	<u>(1,016)</u>
Other Financing Sources (Uses):			
Transfers in	\$		
Transfers (out)	(2,448)		
Total Other Financing Sources (Uses)	<u>\$ (2,448)</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balances	<u>\$ (527)</u>	<u>(1,603)</u>	<u>(1,016)</u>
Fund Balances - Beginning	<u>42,293</u>	<u>-</u>	<u>2,885</u>
Fund Balances - Ending	<u><u>\$ 41,766</u></u>	<u><u>(1,603)</u></u>	<u><u>1,869</u></u>

Capital Projects Funds				Total Non-Major Governmental Funds
Renaissance Center	Revaluation Reserve Fund	Veteran's Field	Land Acquisition	
60,417		16,187		184,615
186	749	30	366	1,672
882			725	4,023
61,485	749	16,217	1,091	190,310
	74,977			83,829
				-
				102,614
94,074		25,817	356,000	475,891
		106	1,421	1,527
94,074	74,977	25,923	357,421	663,861
(32,589)	(74,228)	(9,706)	(356,330)	(473,551)
25,000	16,807	11,940		53,747
25,000	16,807	11,940	-	(2,448)
				51,299
(7,589)	(57,421)	2,234	(356,330)	(422,252)
10,819	73,183	(2,234)	43,339	170,285
3,230	15,762	-	(312,991)	(251,967)

TOWN OF SHERMAN, CONNECTICUT

SCHEDULE OF PROPERTY TAXES

For the year ended June 30, 2009

List Year	Balance Uncollected June 30, 2008 and Current List	Lawful Corrections		Transfers To/From Suspense	Adjusted Balance To Be Collected
		Additions	Deductions		
2004	\$ 977				
2005	8,232	-	-	277	8,509
2006	61,882	945	(87)	1,621	64,362
	<u>\$ 71,091</u>	<u>945</u>	<u>(87)</u>	<u>1,898</u>	<u>72,871</u>
2007	<u>11,077,572</u>	<u>90,329</u>	<u>(37,048)</u>	<u>1,509</u>	<u>11,132,361</u>
Total	<u>\$ 11,148,663</u>	<u>91,274</u>	<u>(37,135)</u>	<u>3,407</u>	<u>11,205,231</u>

<u>Tax</u>	<u>Cash Collections</u>			<u>Balance Uncollected June 30, 2009</u>
	<u>Interest</u>	<u>Lien Fees</u>	<u>Total</u>	
977	553	50	1,580	-
7,883	2,792	107	10,781	73
55,600	9,355	681	65,636	5,519
64,460	12,699	838	77,997	5,592
11,070,739	32,773	1,618	11,105,129	58,603
11,135,199	45,472	2,456	11,183,126	64,195

TOWN OF SHERMAN, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

June 30, 2009

	<u>General Purpose</u>	<u>Schools</u>
Debt Limitation:		
2 1/4 Times Base	\$ 25,162,034	
4 1/2 Times Base		50,324,067
3 3/4 Times Base		
3 1/4 Times Base		
3 Times Base		
7 Times Base		
	<u> </u>	<u> </u>
Total Debt Limitation	\$ <u>25,162,034</u>	<u>50,324,067</u>
Indebtedness:		
Bonds payable	\$	4,740,000
School grants receivable		(67,807)
Bonds authorized and unissued	<u>10,500,000</u>	<u> </u>
	<u> </u>	<u> </u>
Total Indebtedness	\$ <u>10,500,000</u>	<u>4,672,193</u>
Debt Limitation In Excess of		
Outstanding and Authorized Debt	\$ <u><u>14,662,034</u></u>	<u><u>45,651,874</u></u>

Total Tax Collections (Including Interest
and Lien Fees) For the Fiscal Year
Ended June 30, 2008

\$ 11,183,126

Reimbursement For Revenue Loss On:
Tax Relief For Elderly

-

Base

\$ 11,183,126

<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>	<u>Total</u>
41,936,723	36,345,160	33,549,378	78,281,882
<u>41,936,723</u>	<u>36,345,160</u>	<u>33,549,378</u>	<u>78,281,882</u>
			4,740,000
			(67,807)
			<u>10,500,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>15,172,193</u>
<u>41,936,723</u>	<u>36,345,160</u>	<u>33,549,378</u>	<u>63,109,689</u>

APPENDIX B – FORM OF LEGAL OPINION OF BOND COUNSEL AND TAX EXEMPTION

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful purchaser.

The opinion of Shipman & Goodwin LLP will be in substantially the following form:

Town of Sherman, Connecticut
Mallory Town Hall
9 Route 39 North
Sherman, Connecticut 06784

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Sherman, Connecticut (the "Town") of its \$6,750,000 General Obligation Bonds, Issue of 2010, dated August 15, 2010, maturing August 15, 2011-2029 (the "Bonds").

In connection with our representation of the Town as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the Town, each dated as of August 26, 2010, the executed Bonds, and certified records of proceedings of the Town authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under the authority of the constitution and statutes of the State of Connecticut, and that the Bonds are valid and binding general obligations of the Town payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the Town without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received but for the limitation upon its power to tax such dwelling houses.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the Town and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the Town.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds if interest on the Bonds is to be excludable from gross income under Section 103 of the Code. The Town has covenanted in the Tax Compliance 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 will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals or corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the Town with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the Town to fully comply with the covenants set forth therein, may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. We are 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.

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

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

CERTAIN ADDITIONAL FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain federal income tax matters with respect to the Bonds under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a bond. Prospective owners of the Bonds, particularly those that may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference items. The Code also provides that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax. The interest on certain tax-exempt bonds issued in calendar years 2009 and 2010 is excluded from treatment as a preference item for purposes of the Federal alternative tax and from being taken into account in the calculation of adjusted current earnings for purposes of the Federal alternative minimum tax imposed on corporations. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as an item of tax preference for individuals or corporations in calculating alternative minimum taxable income.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds.

Other. As noted above, interest on the Bonds may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax. Interest on the Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Bonds may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, 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.

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

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE DISCOUNT.

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

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

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

ORIGINAL ISSUE PREMIUM.

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

* * * * *

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

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

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

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) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before a specified date, all pursuant to a Continuing Disclosure Agreement for the Bonds in substantially the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 26th day of August, 2010 by the Town of Sherman, Connecticut (the "Town") acting by its undersigned officers, duly authorized, in connection with the issuance of the Town's \$6,750,000 General Obligation Bonds, Issue of 2010, dated August 15, 2010 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Town dated August 17, 2010 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (<http://emma.msrb.org>) to receive submissions of continuing disclosure documents that are described in the Rule.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Town agrees to provide, or cause to be provided, to the MSRB in an electronic format as prescribed by the MSRB, in accordance with the provisions of the Rule and this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2010), as follows:

(i) the audited general purpose financial statements of the Town, which financial statements include the Town's general fund, any special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and the general fixed assets and general long-term debt account groups, for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Town prepares its financial statements in accordance with generally accepted accounting principles.

(ii) the following financial information and operating data to the extent not included in the financial statements described in (i) above:

- A. amounts of the gross and the net taxable grand list applicable to the fiscal year,
- B. listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- C. percentage of the annual property tax levy uncollected as of the close of the preceding fiscal year,
- D. schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- E. calculation of total direct debt and total direct net debt as of the close of the fiscal year,
- F. total direct debt and total direct net debt of the Town per capita,
- G. ratios of the total direct debt and total direct net debt of the Town to the Town's net taxable grand list,
- H. statement of statutory debt limitation as of the close of the fiscal year, and
- I. funding status of the Town's pension benefit obligation.

(b) The financial information and operating data described above shall be provided not later than eight months after the close of the fiscal year for which such information is being provided, commencing with information for the fiscal year ending June 30, 2010. The Town agrees that if audited information is not available eight months after the close of the fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information and operating data may be provided in whole or in part by reference to other documents available to the public on the MSRB's internet website or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Town reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format for the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required or permitted by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Town; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule.

(e) The Town may file information with the MSRB, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Town chooses to make a Voluntary Filing, the Town shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

Section 3. Material Events.

The Town agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Town agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of any failure by the Town to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Town or by any agents which may be employed by the Town for such purpose from time to time.

Section 6. Termination.

The obligations of the Town under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Town ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Identifying Information.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Enforcement.

The Town acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time 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 within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 hereof or five business days with respect to undertakings set forth in Sections 3 and 4 hereof) from the time the First Selectman receives written notice from any beneficial owner of the Bonds of such failure. The present address of the First Selectman is Mallory Town Hall, 9 Route 39 North, Sherman, CT 06784. In the event the Town does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The Town expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 9. Miscellaneous.

(a) The Town shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Town elects to provide any such additional information, data or notices, the Town shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of 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, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Bonds. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

TOWN OF SHERMAN, CONNECTICUT

By _____
Andrea O'Connor
First Selectman

By _____
E. Eric Holub
Treasurer

NOTICE OF SALE

\$6,750,000

TOWN OF SHERMAN, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2010 BOOK-ENTRY-ONLY

SEALED PROPOSALS or ELECTRONIC PROPOSALS via PARITY will be received by the Town of Sherman, Connecticut (the "Town"), at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103 until **11:30 A.M. (Eastern Daylight Time) on TUESDAY,**

AUGUST 17, 2010

for the purchase, when issued, of the whole of the Town's \$6,750,000 General Obligation Bonds, Issue of 2010, dated August 15, 2010, bearing interest payable semiannually on February 15 and August 15 in each year until maturity, commencing February 15, 2011, and maturing on August 15 in each year as follows:

\$275,000 in 2011
\$300,000 in 2012 and 2013
\$325,000 in 2014 through 2020, both inclusive
\$400,000 in 2021 through 2029, both inclusive

(the "Bonds"). The Bonds will be delivered against payment in Federal funds in New York, New York on or about August 26, 2010. The Bonds will be designated by the Town as "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

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

The Bonds maturing on or before August 15, 2017 are not subject to redemption prior to maturity. The Bonds maturing on August 15, 2018 and thereafter are subject to redemption prior to maturity, at the option of the Town, on and after August 15, 2017, at any time in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 15, 2017 and thereafter	100%

Proposals. All proposals for the purchase of the Bonds must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of 1/20 or 1/8 of 1% the rate or rates of interest per annum which the Bonds are to bear, but shall not specify (a) more than one interest rate for any Bonds having a like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to

any interest on the Bonds accrued to the date of delivery. **No proposal for less than the entire \$6,750,000 Bonds, or for less than par and accrued interest, will be considered.**

Basis of Award. As between proposals which comply with this Notice of Sale, the Bonds will be sold to the responsible bidder or bidders offering to purchase the Bonds at the lowest true interest cost to the Town. 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 August 15, 2010, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one responsible bidder making said offer at the same lowest true interest cost, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost completed to four decimal places. Such statement shall not be considered as part of the proposal.

The Town reserves the right to reject any and all proposals, to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

Sealed Proposals Bidding Procedure. All sealed proposals shall be submitted on forms furnished by the Town and submitted at the time and place indicated above. All proposals must be in a sealed envelope marked "Proposal for Sherman Bonds" and addressed to Andrea O'Connor, First Selectman, and E. Eric Holub, Treasurer, Town of Sherman, c/o Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103.

Electronic Proposals Bidding Procedure. Electronic proposals for the purchase of the Bonds must be submitted through the facilities of PARITY by **11:30 A.M. (Eastern Daylight Time), on Tuesday, August 17, 2010.** Any prospective bidder must be a subscriber of Bidcomp's competitive bidding system. Further information about Bidcomp/ PARITY, including any fee charged, may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021. The Town will neither confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic proposal made through the facilities of PARITY is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed proposal delivered to the Town. By submitting a proposal for the Bonds via PARITY, the bidder represents and warrants to the Town that such bidder's proposal for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such proposal by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice of Sale. 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.

Disclaimer - Each PARITY prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for the purposes of submitting its proposal in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY shall be responsible for a bidder's failure to make a proposal or for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, PARITY. The Town is using PARITY as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of PARITY to the effect that any particular proposal complies with the terms of this Notice of Sale and in particular the proposal requirements set forth herein. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of proposals via PARITY are the sole responsibility of the bidders, and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a proposal

for the Bonds, the prospective bidder should telephone PARITY at (212) 849-5021. If any provision of this Notice of Sale conflicts with information provided by PARITY, this Notice of Sale shall control.

For the purpose of the bidding process, the time as maintained on PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their proposals the true interest cost to the Town, as described under "Basis of Award" above, represented by the rate or rates of interest and the premium, if any, specified in their respective proposals. All electronic proposals shall be deemed to incorporate the provisions of this Notice of Sale and the form of Proposal for Sherman Bonds.

Bond Counsel Opinion. The legal opinion of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished without charge and will be placed on file with the certifying bank for the Bonds. A copy of the opinion will be delivered to each purchaser of the Bonds. The opinion of Bond Counsel will cover the following matters: (1) that the Bonds will be valid and binding general obligations of the Town when duly certified, (2) that, assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, based on existing law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals and corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations, and (3) that 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.

Official Statement. The Town has prepared a Preliminary Official Statement dated August 9, 2010 for this Bond issue. The Town deems such Preliminary Official Statement final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for omissions permitted thereby, but is subject to revision and amendment. The Town will make available to the winning purchaser 100 copies of the final Official Statement at the Town's expense by the delivery of the Bonds or, if earlier, by the seventh business day after the day proposals on the Bonds are received. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies may be obtained by the purchaser at its own expense by arrangement with the printer.

The purchaser agrees to promptly file the final Official Statement with the Municipal Securities Rulemaking Board and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers.

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

Certifying, Transfer and Paying Agent; Registrar. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut, which will also act as transfer and paying agent and registrar.

CUSIP Numbers. The deposit of the Bonds with DTC under a book-entry-only system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Bonds prior to delivery. The Town will not be responsible for any delay caused by the inability to deposit the Bonds with DTC due to the failure of the winning purchaser to obtain such numbers and provide them to the Town in a timely manner. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Continuing Disclosure Agreement. The Town will agree, 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, or cause to be provided, (i) certain annual financial information and operating data; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning purchaser'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.

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

Additional Information. For more information regarding this Bond issue and the Town, reference is made to the Preliminary Official Statement dated August 9, 2010. The Preliminary Official Statement may be accessed via the Internet at www.i-dealprospectus.com. Electronic access to the Preliminary Official Statement is being provided as a matter of convenience only. The only official version of the Preliminary Official Statement is the printed version for physical delivery. Bid forms and copies of the Preliminary Official Statement may be obtained from Mr. Barry J. Bernabe, Vice President, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, telephone 203-578-2203.

August 9, 2010

Andrea O'Connor
First Selectman

E. Eric Holub
Treasurer

PROPOSAL FOR SHERMAN BONDS

Ms. Andrea O'Connor, First Selectman
Mr. E. Eric Holub, Treasurer
Town of Sherman
c/o Webster Bank, National Association
CityPlace II, 185 Asylum Street
3rd Floor Conference Room
Hartford, CT 06103

August 17, 2010

Subject to the provisions and in accordance with the terms of the Notice of Sale dated August 9, 2010, which Notice of Sale is made a part of this proposal, we offer to purchase all of the \$6,750,000 General Obligation Bonds, Issue of 2010 (the "Bonds") of the Town of Sherman, comprising the issue described in said Notice of Sale and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table, which interest rates comply with the requirements set forth in the Notice of Sale:

<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
August 15, 2011	\$275,000	_____ %
August 15, 2012	\$300,000	_____ %
August 15, 2013	\$300,000	_____ %
August 15, 2014	\$325,000	_____ %
August 15, 2015	\$325,000	_____ %
August 15, 2016	\$325,000	_____ %
August 15, 2017	\$325,000	_____ %
August 15, 2018	\$325,000	_____ %
August 15, 2019	\$325,000	_____ %
August 15, 2020	\$325,000	_____ %
August 15, 2021	\$400,000	_____ %
August 15, 2022	\$400,000	_____ %
August 15, 2023	\$400,000	_____ %
August 15, 2024	\$400,000	_____ %
August 15, 2025	\$400,000	_____ %
August 15, 2026	\$400,000	_____ %
August 15, 2027	\$400,000	_____ %
August 15, 2028	\$400,000	_____ %
August 15, 2029	\$400,000	_____ %

We acknowledge receipt of the Preliminary Official Statement referred to in the Notice of Sale.

Name of Bidder: _____

Address of Bidder: _____

Signature and Title of Officer or
Authorized Agent of Bidder: _____

Telephone Number: _____

The following is our computation of the true interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of the \$6,750,000 Bonds under the foregoing proposal:

Percent True Interest Cost _____ %
(Four Decimals)