

PRELIMINARY OFFICIAL STATEMENT DATED MAY 5, 2011

New Issue

Ratings: See "Ratings" herein.

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



TOWN OF BERLIN, CONNECTICUT

**\$16,610,000 GENERAL OBLIGATION BONDS, ISSUE OF 2011
BOOK-ENTRY-ONLY**

Dated: June 1, 2011

Due: Serially, June 1, as shown on inside cover

Interest on the Bonds will be payable semiannually on the first day of June and December of each year until maturity, commencing December 1, 2011. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Principal of, redemption premium, if any, 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. Ownership of the Bonds may be in the principal amount of \$5,000 or integral multiples thereof. DTC will act as securities depository for 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 redemption prior to maturity as more fully described under "Optional Redemption" herein.

ELECTRONIC BIDS via PARITY® for the Bonds will be received until 11:30 A.M. (E.D.T.) on Wednesday, May 18, 2011 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 Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about June 1, 2011 through the facilities of DTC.

**\$6,317,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
BOOK-ENTRY-ONLY**

Dated: June 1, 2011

Due: May 31, 2012

SEALED BIDS for the Notes will be received until 11:00 A.M. (E.D.T.) on Wednesday, May 18, 2011 at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103. The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that the delivery of the Notes in definitive form will be made on or about June 1, 2011 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





TOWN OF BERLIN, CONNECTICUT

\$16,610,000 GENERAL OBLIGATION BONDS, ISSUE OF 2011 BOOK-ENTRY-ONLY

Dated: June 1, 2011

Due: Serially, June 1, as shown below

Due	Amount	Interest Rate	Yield	CUSIP Number	Due	Amount	Interest Rate	Yield	CUSIP Number
2014	\$1,235,000			084851__	2021	\$1,375,000			084851__
2015	1,250,000			084851__	2022	1,160,000			084851__
2016	1,265,000			084851__	2023	1,205,000			084851__
2017	1,285,000			084851__	2024	1,240,000			084851__
2018	1,300,000			084851__	2025	1,290,000			084851__
2019	1,300,000			084851__	2026	1,365,000			084851__
2020	1,340,000			084851__					

\$6,317,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

Dated: June 1, 2011

Due: May 31, 2012

Interest Rate: ____%	CUSIP Number: 084851__	Yield: ____%
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BOND ISSUE SUMMARY

The information in this section and on the cover page 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 Berlin, Connecticut (the "Town")
- Issue:** \$16,610,000 General Obligation Bonds, Issue of 2011, book-entry-only (the "Bonds")
- Date of Sale:** Electronic bids via PARITY® on Wednesday, May 18, 2011, until 11:30 A.M. (E.D.T.) at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103
- Dated Date:** June 1, 2011
- Interest Due:** Each June 1 and December 1, commencing December 1, 2011
- Principal Due:** Serially, June 1, 2014 through June 1, 2026, as detailed in this Official Statement
- Purpose:** The proceeds of the Bonds are being used to fund various general purpose and school capital projects. See "Authorization and Purpose" herein.
- Redemption:** The Bonds are subject to redemption prior to maturity as more fully discussed 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. See "Security and Remedies" herein.
- Bank Qualification:** The Bonds shall not be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
- Credit Ratings:** Moody's Investors Service has assigned a rating of Aa2 to the Bonds. Application has also been made to Standard & Poor's for a rating on the Bonds.
- Basis of Award:** Lowest True Interest Cost ("TIC") as of the dated date
- Tax Exemption:** See Appendix B - "Forms of 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, ctmuniservices@usbank.com
- Bond Counsel:** Joseph Fasi LLC, of Hartford, Connecticut
- Financial Advisor:** Webster Bank, National Association, of Hartford, Connecticut
- Delivery:** It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about June 1, 2011. Delivery of the Bonds will be made against payment in Federal funds.

Final Official**Statement:**

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

Availability of**Continuing****Information:**

See Appendix C - “Forms of Continuing Disclosure Agreements” herein.

The Preliminary Official Statement is available in electronic form at www.i-dealprospectus.com. For additional copies of the Official Statement or requests for additional information, please contact:

Christopher P. Martin
Senior Vice President
Webster Bank, National Association
CityPlace II
185 Asylum Street
Hartford, CT 06103

Telephone (860) 692-1324

James Wren, Jr.
Finance Director
Town of Berlin
240 Kensington Road
Berlin, Connecticut 06037

Telephone (860) 828-7044

NOTE ISSUE SUMMARY

The information in this section and on the cover page 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 Berlin, Connecticut (the “Town”)
- Issue:** \$6,317,000 General Obligation Bond Anticipation Notes, book-entry-only (the “Notes”)
- Date of Sale:** Sealed bids on Wednesday, May 18, 2011, until 11:00 A.M. (E.D.T.) at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103
- Dated Date:** June 1, 2011
- Interest Due:** At maturity – May 31, 2012
- Principal Due:** At maturity – May 31, 2012
- Purpose:** The proceeds of this issue are being used to fund various general purpose and school capital projects. See “Authorization and Purpose” herein.
- Redemption:** The Notes **are not** subject to redemption prior to maturity.
- Security:** The Notes 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 Notes when due. See “Security and Remedies” herein.
- Bank Qualification:** The Notes **shall not** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.
- Credit Rating:** Moody’s Investors Service has assigned a rating of MIG 1 to the Notes. Application has also been made to Standard & Poor’s for a rating on the Notes.
- Basis of Award:** Lowest Net Interest Cost (“NIC”) as of the dated date
- Tax Exemption:** See Appendix B – “Forms of 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, ctmuniservices@usbank.com
- Bond Counsel:** Joseph Fasi LLC, of Hartford, Connecticut
- Financial Advisor:** Webster Bank, National Association, of Hartford, Connecticut
- Delivery:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about June 1, 2011. Delivery of the Notes will be made against payment in Federal funds.

Final Official**Statement:**

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

Availability of**Continuing****Information:**

See Appendix C - “Forms of Continuing Disclosure Agreements” herein.

The Preliminary Official Statement is available in electronic form at www.i-dealprospectus.com. For additional copies of the Official Statement or requests for additional information, please contact:

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INTRODUCTION

This Official Statement, including the cover page, inside cover page and appendices, is provided only in connection with the initial offering and sale of \$16,610,000 General Obligation Bonds, Issue of 2011 (the "Bonds"), and the original offering and sale of \$6,317,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town of Berlin, 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 and Notes are being offered for sale at public bidding. A Notice of Sale and Bid Forms dated May 5, 2011, copies of which are included as Appendix D herein, have been furnished to prospective bidders. Reference is made to the Notice of Sale and Bid Forms for the terms and conditions of the bidding.

The successful bidders for the Bonds and Notes may add a separate page on the front of this Official Statement to indicate their names, the Bond and Note offering prices, the interest rates per annum on the Bonds and Notes, information regarding ratings and insurance (if any), and such other information as approved by the Town which the successful bidders deem 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 or Notes. 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 or Notes 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 are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized.

The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the Town. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue 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 or Notes 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, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes 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 and Notes.

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

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

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 Forms in Appendix D for the terms and conditions of the bidding.

The Bonds will be dated June 1, 2011 and will mature on June 1 of the years and in the principal amounts as follows:

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Due June 1</u>	<u>Principal Amount</u>
2014	\$1,235,000	2021	\$1,375,000
2015.....	1,250,000	2022	1,160,000
2016	1,265,000	2023	1,205,000
2017	1,285,000	2024	1,240,000
2018	1,300,000	2025	1,290,000
2019	1,300,000	2026	1,365,000
2020	1,340,000		

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. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. Interest on the Bonds will be payable semiannually on the first day of June and December of each year until maturity, commencing December 1, 2011 and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of May and November in each year or the preceding business day if such fifteenth day is not a business day. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for DTC. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. 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. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof.

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

Description of the Notes

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

The Notes, in the principal amount of \$6,317,000, will be dated June 1, 2011 and will be due and payable as to both principal and interest at maturity, May 31, 2012. The Notes are not subject to redemption prior to maturity and will bear interest, calculated on the basis of a 30-day month and a 360-day year, at such rate or rates per annum as are specified by the successful bidder(s). A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, except that one such Note will include the odd \$400, with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-entry-only System" herein.

Authorization and Purpose

Open space (2003): On September 23, 2003, the Town Council approved an appropriation and bond ordinance in the amount of \$2,000,000 for the acquisition of real property for passive open space.

Materials storage yard: On July 11, 2006, the Town Council approved an appropriation and bond ordinance in the amount of \$300,000 for the land purchase for public works material storage yard. On January 9, 2007, the appropriation was amended to change the language of the appropriation.

Berlin Turnpike: On February 5, 2008, the Town Council approved an appropriation and bond ordinance in the amount of \$375,000 for the acquisition of land at 1677 Berlin Turnpike.

Pistol Creek: On June 3, 2008, the Town Council approved an appropriation and bond ordinance in the amount of \$5,625,000 for the acquisition of the Pistol Creek property.

Sherwood property: On December 2, 2008, the Town Council approved an appropriation and bond ordinance in the amount of \$1,150,000 for the environmental remediation of the vacant former Sherwood Tool Complex.

McGee School air quality: On January 19, 2010, the Town Council approved an appropriation and bond ordinance in the amount of \$6,950,000 for the indoor air quality and ventilation system renovations at Catherine M. McGee Middle School.

Town Hall chiller replacement: On May 4, 2010, the Town Council approved an appropriation and bond ordinance in the amount of \$340,000 to replace the Town Hall chiller/cooling tower.

Beckley Bridge: On May 4, 2010, the Town Council approved an appropriation and bond ordinance in the amount of \$500,000 for planning, acquisition and construction of the replacement of the Beckley Road Bridge.

McGee School roof: On October 5, 2010, the Town Council approved an appropriation and bond ordinance in the amount of \$1,885,000 for the roof replacement at Catherine M. McGee Middle School.

High school renovations: On March 15, 2011, the Town approved by referendum an appropriation and bond ordinance in the amount of \$69,950,000 for the renovation and expansion of Berlin High School.

Road improvements: On April 19, 2011, the Town Council approved an appropriation and bond ordinance in the amount of \$6,000,000 for the Town road improvement program.

Use of Proceeds

<u>Project</u>	<u>Amount Authorized</u>	<u>Notes Maturing</u>	<u>Additions (Paydowns)</u>	<u>Notes of This Issue</u>	<u>Bonds of This Issue</u>
Open space (2003)	\$2,000,000	\$ 280,000	\$ -	\$ 280,000	\$ -
Materials storage yard	300,000	100,000	60,000	160,000	-
Berlin Turnpike property	375,000	355,000	(20,000)	335,000	-
Pistol Creek property	5,625,000	5,340,000	-	-	5,340,000
Sherwood property	1,150,000	550,000	550,000	-	1,100,000
McGee School air quality	6,950,000	3,000,000	3,950,000	-	6,950,000
Town Hall chiller replacement	340,000	328,000	(66,000)	262,000	-
Beckley Bridge	500,000	350,000	(70,000)	280,000	-
McGee School roof	1,885,000	-	1,220,000	-	1,220,000
High school renovations	69,950,000	-	5,000,000	5,000,000	-
Road improvements	6,000,000	-	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total		\$10,303,000	\$12,624,000	\$6,317,000	\$16,610,000

Optional Redemption

The Notes are **not** subject to redemption prior to maturity.

The Bonds maturing on or before June 1, 2021 are not subject to redemption prior to maturity. The Bonds maturing on June 1, 2022 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after June 1, 2021, 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 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>
June 1, 2021 and thereafter	100.0%

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

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

The Town, so long as Cede & Co., as nominee of The Depository Trust Company (“DTC”), is the registered owner of the Bonds, pursuant to a book-entry registration system, 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 Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation 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, or be the responsibility of, the Town, the Registrar, or Paying Agent.

Ratings

On May 4, 2011, Moody’s Investors Service assigned ratings of Aa2 and MIG 1 to the Bonds and Notes, respectively, and affirmed the Aa2 rating on the Town’s parity debt outstanding. Application has also been made to Standard & Poor’s, a division of the McGraw-Hill Companies, Inc. for ratings on the Bonds and Notes. 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 agencies certain information and materials, some of which may not have been included in this Official Statement. There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by the agency, if, in the judgment of such rating agency, circumstances so warrant. Ratings will reflect only the view of each rating agency and will be subject to revision or withdrawal, which could affect the market price of the Bonds or Notes. The rating agencies should be contacted directly for their ratings on the Bonds and Notes and the explanation of such ratings.

Tax Exemption

See Appendix B – “Forms of Opinion of Bond Counsel and Tax Exemption” herein.

Security and Remedies

The Bonds and Notes 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 and Notes when due.

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

Payment of the Bonds and Notes 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 and Notes.

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 or Town property to secure the Bonds or Notes, 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 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 annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds or notes of the Town would also be subject to the applicable provisions of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights, heretofore or hereafter enacted 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, and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

Qualification for Financial Institutions

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

Book-entry-only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and Notes. The Bonds and Notes 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 one fully-registered Note certificate will be issued for each interest rate of the Notes, 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 and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("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 and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds or Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes 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 and Notes 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 or Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or Notes 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 or Notes 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 and Notes 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 and Notes 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 nor its nominee, 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 and Notes 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 and Note 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 and Note 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 or Notes 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.

Replacement Bonds and Notes

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

SECTION II - THE ISSUER

The Municipality

The Town of Berlin was incorporated as a town in 1785 from parts of Farmington, Middletown, and Wethersfield. The Town, which covers an area of 27.0 square miles, is located in the geographic center of the state in Hartford County. Berlin is eleven miles south of the City of Hartford and is bordered on the north by the City of New Britain, on the northeast by the Town of Newington, on the east by the Towns of Rocky Hill, Cromwell, and Middletown, on the south by the City of Meriden, and on the west by the Town of Southington.

The Town seal is that of a Yankee peddler outfitted in revolutionary dress with a basket under his arm and a pack on his back full of tin ware. This image comes from the Patterson brothers who started their business on West Street (now Lower Lane). For 20 years, until 1760, the family sold tin wares from a basket. As their business grew, they took in apprentices and engaged peddlers to travel throughout the colonies to sell their products.

U.S. Route 5, a multi-lane divided highway, runs north-south through Berlin parallel to Interstate Route 91, connecting Meriden and Wethersfield. Central Connecticut Expressway Corridor (Routes 9 and 72) serves as a connector between Interstates 84 and 91. State Routes 15, 71, 71A, 160 and 372 also serve the Town. Amtrak provides passenger and freight service, and bus lines provide local and intrastate passenger transportation service. Air passenger and freight service is available at Bradley International Airport in Windsor Locks, approximately twenty-five miles from Berlin.

Within the Town, there are six reservoirs belonging to surrounding municipalities, three post offices, and four separate fire departments. The Berlin Fairgrounds are located in the eastern section of town where once a year the Berlin Fair is held. The grounds are utilized for several other events during the year. The Town has two golf courses, one public and one private. There are also two private schools, the Mooreland Hill School and St. Paul School, as well as fire companies and approximately 125 small- to medium-sized businesses in Town.

The Town is a member of the Bristol Resource Recovery Authority, which provides trash disposal services, and The Mattabassett District, which provides sewer treatment services to its member Towns of Berlin and Cromwell and the City of New Britain. There are two separate tax districts or coterminous entities within the territorial limits of the Town of Berlin. The Worthington Fire District, organized in 1920, and the Kensington Fire District, organized in 1922, provide water and sewer services to their respective sections of Berlin.

Government Organization

Under the Town Charter, adopted November 4, 1973 and most recently amended November 5, 2002, the Town Council acts as the legislative body. The Town Council consists of seven members elected biennially for terms of two years each. On the second Tuesday following Election Day, members of the Town Council elect one of their members to serve as Mayor who shall preside at Town Council meetings. The Town Council appoints a Town Manager, who is the chief executive officer of the Town. The Town Manager and the Town Council are responsible for the administration of all Town matters, with the exception of the education system, Kensington and Worthington Fire Districts, The Mattabassett District and the Police Department.

The Town Council is the budget-making authority and is responsible for financial and taxation matters, presenting the annual budget to the Annual Town Budget Referendum for its approval, and establishing the tax rate.

The Board of Education is the policy-making body for grades pre-kindergarten through twelve. See "Educational System" herein.

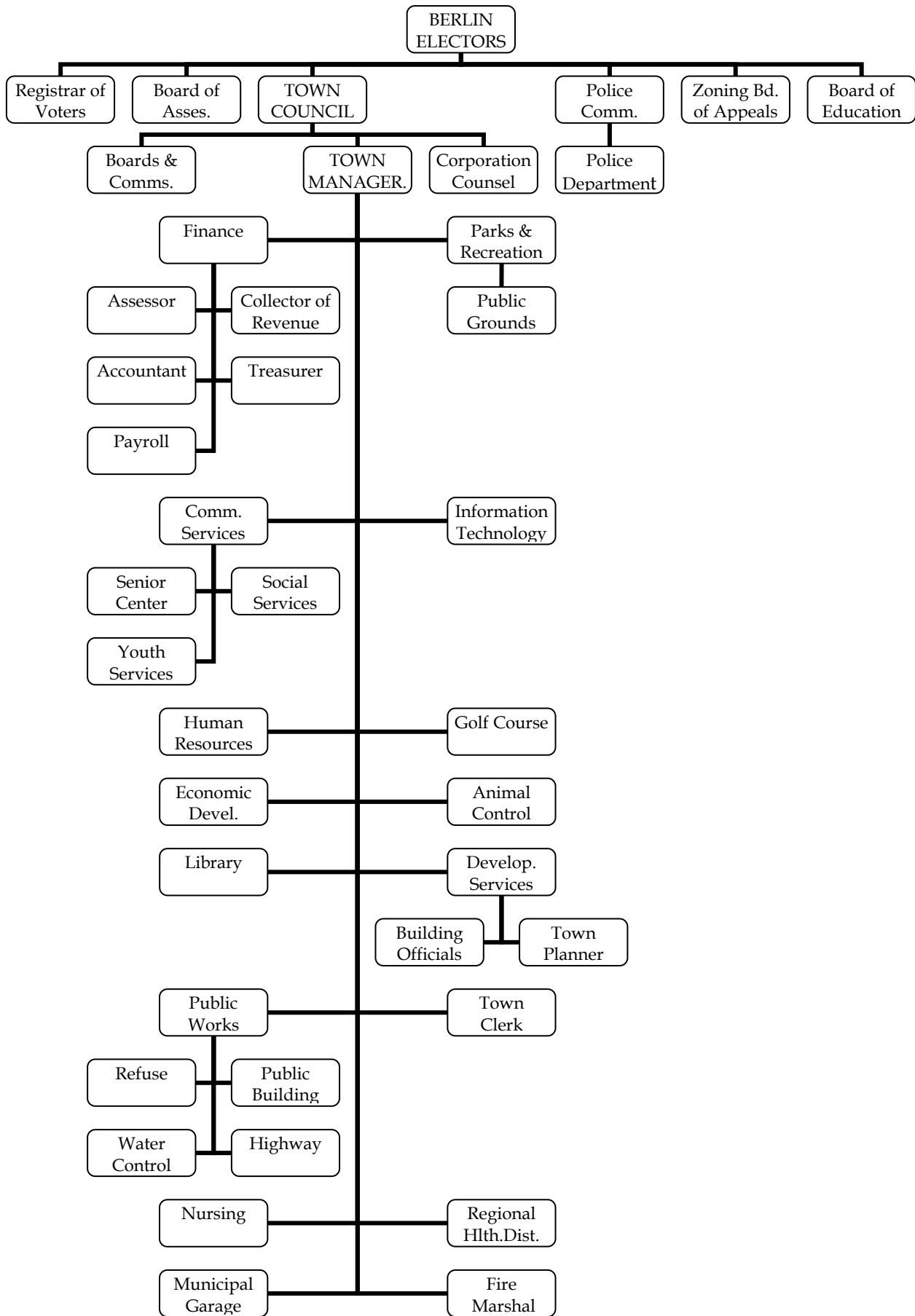
The Kensington and Worthington Fire Districts provide water and sewer services to their respective sections of Berlin. Members of the Fire Districts' governing board are elected by the public and have the sole responsibility for the hiring and firing of employees, the purchase of equipment, the administration of fiscal operations, and establishment of the tax rate, assessments, and service charges. The Fire Districts are empowered to issue bonds and notes in their own name and credit.

The Mattabassett District is a quasi-municipal district providing sewer treatment services to the Towns of Berlin and Cromwell and the City of New Britain. The member municipalities appoint a 12-person Board of Directors (represented by seven members from the City of New Britain, three members from the Town of Berlin, and two members from the Town of Cromwell). The Board of Directors is responsible for the hiring and firing of employees, the purchase of equipment, and the administration of fiscal operations. The District adopts a budget and levies annual assessments which the member municipalities are obligated to pay. The District is empowered to issue bonds and notes in its own name. The Town of Berlin is responsible for a pro-rata share of the debt should the District default on its bonds or notes, although the obligation to pay these debts will remain with The Mattabassett District. The Mattabassett District has never defaulted on its bond and note liabilities. The Town has no direct interest in the assets or liabilities of the District. See "Summary of Municipal Services, Water and Sewer" herein.

The Board of Police Commissioners has the general management and control of the Police Department and has the sole responsibility for the hiring and firing of employees and purchase of apparatus, supplies or property necessary for the Police Department. Said Board shall prepare an itemized budget for submission to the Town Manager.

The Town is a participant in two joint ventures. The Tunxis Recycling Operating Committee ("TROC") has a membership of 14 cities and towns, including the Town of Berlin. The TROC is responsible for the development, operations, and management of a solid waste recycling program for all participating communities. The Bristol Resource Recovery Facility Operating Committee ("BRRFOC") has a membership of 13 cities and towns. The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities dealing with the trash to energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The Town has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the intercommunity agreements. See "Auditor's Section, Notes to Financial Statements, Note 12" and "Summary of Municipal Services - Service Contract, Solid Waste Disposal" herein.

Organizational Chart



Municipal Officials

Town Council Members (elected 11/03/09)

<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Number of Terms</u>
Adam P. Salina, Mayor	Elected/2 years	4 th term
Karen Maier Drost	Elected/2 years	1 st term
Robert J. Dacey	Elected/2 years	3 rd term
David K. Evans	Elected/2 years	1 st term
Stephen M. Morelli	Elected/2 years	3 rd term
Rachael J. Rochette	Elected/2 years	2 nd term
William A. Rasmussen, Jr.	Elected/2 years	1 st term

Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Date of Hire</u>
Assessor	Joseph C. Ferraro	Appointed - Indefinite	07/10/00
Building Inspector	Nicholas G. Chirico	Appointed - Indefinite	03/17/86
Chief of Police	Paul D. Fitzgerald	Appointed - Indefinite	07/01/03
Corporation Counsel	Robert Weber	Appointed - Indefinite	11/18/03
Economic Development Director	James T. Mahoney	Appointed - Indefinite	11/23/98
Human Resources Director	Denise Bard	Appointed - Indefinite	07/27/09
Information Technology Director	Barbara Sagan	Appointed - Indefinite	07/08/81
Finance Director	James Wren, Jr.	Appointed - Indefinite	12/14/09
Library Director	Helen Aveline	Appointed - Indefinite	09/27/10
Public Works Director	Arthur Simonian	Appointed - Indefinite	12/01/06
Recreation Director	Stephen R. Kelly	Appointed - Indefinite	12/19/83
Revenue Collector	Caroline Glabau	Appointed - Indefinite	05/22/89
School Business Manager	Roman J. Czuchta	Appointed - Indefinite	07/01/90
Superintendent of Schools	David Erwin	Appointed - Indefinite	05/01/10
Town Clerk	Kathryn J. Wall	Appointed - Indefinite	01/10/02
Town Manager	Denise M. McNair	Appointed - Indefinite	11/10/93 ¹
Town Planner	Hellyn Riggins	Appointed - Indefinite	03/03/03
Treasurer	Nancy L. Lockwood	Appointed - Indefinite	11/15/89

¹Ms. McNair served from November 1993 until November 2008 as Revenue Collector.

Summary of Municipal Services

Police: The Police Department is headed by a five-member Board of Police Commissioners elected biennially for four-year staggered terms - three at one election, two at the next. The Department is headed by a chief and staffed with one deputy chief, two lieutenants, eight sergeants, and one detective. There are 41 sworn police officers and three constables in total.

The Berlin Police Department is a State and Internationally Accredited law enforcement agency. The department has been accredited by the Commission on Accreditation for Law Enforcement Agencies, Inc. since March 1996. It is one of only 16 agencies in the State to be so recognized. The Police Officers Standards and Training Council also awarded State accreditation to the Berlin Police Department in November of 2004.

Fire: A volunteer force of approximately 86 volunteers and 24 officers, organized into four separately incorporated companies housed in four fire stations, provides fire protection. Each company is headed by a chief, an assistant chief, a captain, and two lieutenants. A Board of Fire Commissioners consisting of the chief and assistant chief from each company is responsible for preparing the budget, establishing operating

procedures, determining necessary training courses, and purchasing capital equipment. Present equipment includes eight Class-A pumps, two 100-foot aerial ladder trucks, one tanker truck and one heavy-duty rescue truck. Dispatching is accomplished through the Berlin Police Department, employing both radio and siren alert systems.

Ambulance: The Town contracts with Hunter Ambulance Service to provide services to Town residents.

Water and Sewers: Berlin is served by the Town's Water Control Commission, the Kensington Fire District, and the Worthington Fire District. Both the Kensington Fire District and the Worthington Fire District were established under Special Act of the Connecticut Legislature in 1922. The City of New Britain and the Cromwell Fire District supply 45% of the water to the Town, and 55% is supplied by the Town's Elton well field.

The Mattabassett District, the fifth largest sewage disposal district in the State of Connecticut, serves the towns of Berlin, Cromwell, Farmington, Middletown, and New Britain. Berlin's present usage equates to 16.87% of the Mattabassett's capacity. Berlin pays the District annually July 1st based upon metered flows, fixed operating costs, and amortization of plant, trunk sewers, and debt.

Subsequent to a comprehensive 1999 study, the Mattabassett District embarked on a plan to upgrade and expand treatment capabilities in order to meet the stricter Department of Environmental Protection requirements for the removal of nitrogen as well as to provide for the additional flow capacity needs of the member communities. Total construction costs are estimated at \$100 million. A loan from the Department of Environmental Protection Clean Water Fund will cover approximately 23% of the cost. An additional \$25 million federal grant is being sought. The remainder of the costs will be borne by sewer fee increases spread across the member towns.

Each of the Fire Districts makes payments to the Town of Berlin predicated on percentage of flow. The Water Control Commission presently serves 2,460 water accounts and sanitary sewer accounts. The Worthington Fire District serves 1,180 water accounts and 1,076 sanitary sewer accounts. The Kensington Fire District has 3,077 water accounts and 2,768 sanitary sewer accounts. Approximately 75% of the population is presently connected to the sanitary sewer systems of the Town or one of the Fire Districts. Approximately 25% of the Town's population is served by well and septic. An ongoing inflow and infiltration program attempts to abate a portion of clean water flowing to The Mattabassett District.

A final report from a consultant, addressing "concern areas" of existing inflow and infiltration, was completed in 1999 and construction bid plans and documents are near completion to re-line the existing sewer pipes where major problems exist. The preliminary project cost estimate is approximately \$4,000,000 to be shared by the three districts with construction to begin in late 2011 or 2012. Approximately 99.23 miles of sewer mains and 72 miles of water mains have been installed by the Town of Berlin and the Kensington and Worthington Fire Districts. Water produced by the Elton Wells #1A and #2A supplies the Water Control Commission and the Worthington Fire District with 55% of their water needs. The remaining 45% is purchased from the New Britain Water Department and Cromwell Fire District. The Kensington Fire District does not produce water and purchases 100% of its needs from the New Britain Water Department. Existing water storage for Berlin consists of two two-million-gallon storage tanks. The Atkins Street 300,000-gallon reservoir is presently not being used. The Water Control Commission purchases approximately 19,684,100 gallons annually from the Cromwell Fire District at a connection on Mill Street in East Berlin at the Cromwell town line. The supply of water is determined to be adequate to serve anticipated growth.

Parks and Recreation: The Town operates and maintains 1,416 acres, including 101 acres of school property, five parks, two public swimming pools, one community center, and one municipal golf course.

Open Space: The Town owns 1,700 acres of open space, which is available primarily for passive recreation and natural resource protection. The largest Town-owned open space is within the Ragged Mountain Reserve, a 587-acre parcel located in the northwest corner of the Town. Major recent open space acquisitions include the 452 acre former "Meriden Gas Turbine" property that extends south of Orchard Road to the Meriden Town line, the 125 acre Hatchery Brook Conservation area north of Orchard Road and 77 Acres of the former Pistol Creek Golf Course. Berlin also contains many other publicly owned open space, including

a part of Lamentation Mountain State Park, Silver Lake State Park, Willowbrook Park, and Hungerford Park, which are available to and used by Berlin residents.

Libraries: There are three libraries with a combined number of 124,569 volumes. Two of the libraries are privately operated. The Berlin-Peck Library is a Town-operated facility.

Service Contract, Solid Waste Disposal: Covanta Bristol, Inc., a Connecticut corporation (the “Company”), operates a 650-ton-per-day mass-burn solid waste disposal, electric power generation, and resource recovery facility at 229 Technology Park. The commercial operation date was April of 1988.

The Company is a subsidiary of Covanta Energy Corporation, a Delaware corporation. The Company was formed in 1984 for the purpose of owning, designing, constructing, and operating the facility for the processing and disposal of acceptable solid waste from the Cities of Bristol and New Britain, and the Towns of Berlin, Branford, Burlington, Hartland, Plainville, Plymouth, Prospect, Seymour, Southington, Warren, Washington, and Wolcott (14 municipalities collectively referred to as the “Contracting Communities”).

The facility design provides for two furnaces designed to process acceptable waste, each with a rated capacity of 325 tons per day. The Company has guaranteed, pursuant to the service agreement, that the yearly facility capacity will be 197,630 tons per year to the Contracting Communities, which represents an availability factor of 83.3%. The furnaces produce steam that is used to generate electricity for sale, pursuant to an agreement with Northeast Utilities. The facility has a net output of 13.2 megawatts. A dry scrubber and baghouse is utilized for the removal of acid gas and particulates from stack flue gas emissions. The facility was designed using technology developed and owned by Martin GmbH of Munich, Germany.

Waste disposal service by the Company is provided through the operation of the facility or by any other alternative disposal method reasonably acceptable to the Contracting Communities, including permitted sanitary landfills. The service fee payable by each Contracting Community for such waste disposal service is its pro-rata share, based on its respective tonnage deliveries of acceptable waste, of the sum for each period of (1) an amount equal to debt service on the bonds issued for the project, (2) the operation and maintenance expenses, and (3) pass-through costs, including certain taxes, insurance and utility costs, less a credit equal to 90% of all energy revenues and with an adjustment with respect to recovered ferrous metals. The Town pays a tipping fee of \$64.50 per ton for refuse (effective until June 30, 2011) and is required to deliver up to its minimum commitment of 9,641 tons. In addition, the Town pays a tipping fee of \$30.00 per ton for recyclables.

If the facility is temporarily or permanently shut down and partially or completely unable to receive and process acceptable waste, the Company is obligated to provide waste disposal services by alternative disposal methods. The Company is obligated under the service agreement to seek to mitigate the effect of any shutdown, and the operation and maintenance expenses are to be adjusted to the extent the facility is unable to receive and process acceptable waste, to reflect the Company’s actual direct costs of alternative disposal. Should the facility be shut down for an extended time, the cost of alternative disposal will depend upon transportation costs and tipping fees at the alternative disposal site.

The Contracting Communities are obligated to pay the service fee to the Company, whether or not the Contracting Communities deliver acceptable waste to the facility and whether or not the Company disposes of such acceptable waste through the facility. This obligation is absolute and unconditional, is not subject to any rights of set-off, recoupment or counterclaim any Contracting Community may have against the Company, the trustee, or any other person, and may not be suspended or discontinued for any purpose. In the event of payment default under the service agreement by any one or more of the Contracting Communities, the non-defaulting Contracting Communities are jointly and severally liable to pay such defaulted amount. The Contracting Communities have pledged their full faith and credit to pay all amounts due.

The Contracting Communities’ obligation to pay the service fee ceases if the service agreement is terminated. If the service agreement is terminated due to a default by any Contracting Community, the Contracting Communities are obligated to pay amounts sufficient to defease the bonds or pay amounts sufficient to make timely payments of principal and interest on the bonds. If the service agreement is terminated due to

a default by the Company, the Company is generally obligated to defease the bonds or to continue to make timely payments of principal and interest on the bonds.

Principal Public Facilities

<u>Facility</u>	<u>Date Constructed</u>	<u>Additions and Renovations</u>	<u>Type of Construction</u>
Town Hall Complex	1975	-	Masonry
Berlin-Peck Memorial Library/Community Center.....	1989	2000	Masonry
Senior Citizens Center	1955	1985	Wood frame
Golf Course Facility	1970	-	Wood frame
Fire Station #1, Berlin Vol. Fire Dept.	1946	1980, 1995	Masonry/frame
Fire Station #2, East Berlin Vol. Fire Dept.	1960	1972, 1990	Masonry
Fire Station #3, Kensington Vol. Fire Dept.	1968	1976, 1995	Masonry
Fire Station #4, So. Kensington Vol. Fire Dept.	Unknown	1973, 1994	Masonry
Animal Control Facility	2009	-	Masonry

Municipal Employees

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
General Government ¹	181	183	185	185	182
Board of Education	422	423	423	421	415
Water Control Commission	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	608	611	613	611	602

¹ Full-time equivalent. Board of Education numbers are actual employees.

Municipal Employees Bargaining Organizations

<u>Employees</u>	<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
<i>General Government</i>			
Police	American Federation of State, County & Municipal Employees, AFL-CIO, Local 1318, Council 15	38	06/30/11
Highway, Garage, Park, Water & Sewer, Golf Course, Building Maintenance	Connecticut Independent Labor Union	51	06/30/13
Clerical	Connecticut Independent Labor Union	39	06/30/13
Nursing	Connecticut Health Care Associates	19	06/30/13
Supervisors	Berlin Middle Management Association	<u>39</u>	06/30/11
		186	
<i>Board of Education</i>			
Administrators	Association of Berlin Administrators	18	06/30/12
Teachers	Berlin Education Association - Local Chapter of Connecticut Education Association	274	06/30/13
Custodians	Berlin Custodial Employees, Local 1303-251	28	06/30/13
Clerical	Berlin Clerical Employees, Local 1303-303	25	06/30/13
Cafeteria	Berlin Cafeteria Employees, Local 1303-043	18	06/30/11
Aides	Berlin Aides Employees, Local 1303-276	<u>78</u>	06/30/12
		441	
Non-union		<u>27</u>	
Total		654	

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

Educational System

The Town's school system services grades pre-kindergarten through twelve and is governed by the local Board of Education. Berlin has a nine-member Board of Education elected to three-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which policies are set include curriculum, budget requests and submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has five schools for grades pre-kindergarten through twelve. Enrollment in grades pre-kindergarten through twelve as of January 1, 2011 was 3,123. The rated capacity of the system facilities is 3,769.

School Enrollment and Projections

<u>Year</u>	<u>Grades Pre-K</u>	<u>Grades K-5</u>	<u>Grades 6-8</u>	<u>Grades 9-12</u>	<u>Total</u>
<i>Historical</i>					
2000-01	54	1,443	778	1,003	3,278
2001-02	49	1,421	810	1,024	3,304
2002-03	53	1,414	783	1,051	3,301
2003-04	57	1,446	782	1,060	3,345
2004-05	62	1,451	736	1,108	3,357
2005-06	59	1,429	752	1,108	3,348
2006-07	57	1,405	767	1,048	3,274
2007-08	48	1,380	777	1,063	3,269
2008-09	52	1,386	741	1,028	3,207
2009-10	68	1,337	735	1,027	3,167
2010-11	48	1,332	722	1,021	3,123
<i>Projected</i>					
2011-12	48	1,297	729	1,004	3,078
2012-13	48	1,247	709	993	2,997
2013-14	48	1,228	678	967	2,921

School Facilities

<u>Facility</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Additions & Renovations</u>	<u>Number of Classrooms</u>	<u>Actual Enrollment 1/1/11</u>	<u>Rated Capacity</u>
Hubbard School	Pre-K-5	1965	1993	20	261	325
Willard School	K-5	1955	1991	36	534	720
Griswold School	K-5	1963	1992	31	585	600
Catherine McGee School	6-8	1969	1996, 2010	58	722	924
Berlin High School	9-12	1953	1976, 1999	<u>68</u>	<u>1,021</u>	<u>1,200</u>
Total				213	3,123	3,769

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Economic Condition and Outlook

The Town has continued to implement an economic development strategy to bolster the tax base and to create local job opportunities. The Town's Plan of Conservation and Development (the "Master Plan") was adopted in July of 2003. Many proposals included in the Plan of Conservation and Development have been implemented, including significant amendments to the Town's commercial and industrial zones to expand those zones at the margins in certain areas and to create uses in zones that better fit local conditions and market opportunities, progress toward the creation of a Town Center and accelerated acquisition of open space. Since September 1999, the Town Council has adopted ordinances authorizing \$6.5 million in bonds for the acquisition of real property for open space. In addition, \$5.625 million was approved for the acquisition of 77 acres of the former Pistol Creek golf course (for uses including open space) in June 2008. Seven hundred fifty acres of open space has been acquired since late 2005, and the authorized open space acquisition funds are not yet depleted. To encourage maintenance of private open space, preferential tax treatment was also extended to open space parcels to add to the farm and forest protection incentives already provided pursuant to Public Act 490.

There are over 100 industrial firms, producing a wide range of products, located in the Town. Among its largest taxpayers are Northeast Utilities and its subsidiaries, the Connecticut Light & Power Company and Yankee Gas; Corbin Russwin; Comcast Cable; and Parker Hannifin.

Major Economic Initiatives

The Town of Berlin entered the 2008 economic downturn in a good condition with very high commercial/industrial occupancy rates and ongoing commercial and residential development projects across the Town. While the pace of development has slowed, building permit activity remains strong relative to regional norms in all categories. The Town has experienced some business closings, notably Hartford Direct, Bayer-Sheffield Plastics, AW Direct, Nielsen Hardware, Sam's Club and A&P Super Foodmart. Northeast Utilities' corporate office group also relocated out of Town but this space has been filled by other Northeast Utilities administrative offices. Northeast Utilities subsidiaries Connecticut Light & Power and Yankee Gas are still headquartered in Berlin. In addition Northeast Utilities acquired a 100,000-square-foot warehouse for its transmission group and an expansion to its aerial device facility at its Berlin campus. Northeast Utilities is in the process of obtaining approvals for a merger with NSTAR. The merger plan was announced in October 2010. The combined company will operate six regulated electric and gas utilities in three states and will have nearly 3.5 million electric and gas customers. It will have dual headquarters in Hartford and Boston.

Following is a summary of the short- and medium-term development activity in Berlin.

Berlin Commerce Park, a planned office/industrial park, has four buildings that occupy 208,000 square feet, including a 50,000-square-foot building added in 2001.

River Bend Business Park has six buildings completed with a total of 169,000 square feet. Fifty thousand square feet of this total was completed since 1999.

Route 15, also known as the Berlin Turnpike, is a multi-lane divided roadway running through Berlin from Meriden to Newington. Age-restricted apartment complexes completed on or near the Berlin Turnpike include Orchard Ridge (120 units), on Webster Street, Stonebridge (174 units) on Deming Road and Sage Pond Place (84 units) on the Turnpike. Toll Brothers is also in the middle of a 95-unit age restricted condominium project, and construction has started on the 70-unit Westview condominium project. Comcast's facility on New Park Drive has undergone several renovations and is now the Western New England Regional headquarters with 540 employees. A 53-room Best Western Motel was completed in 2003 on a site on the Turnpike south of New Park Drive. Silver Lake of Berlin, an 18-unit townhouse condominium community located on Silver Lake was completed in 2005. Completed retail projects on the corridor include Top Kat Plaza, a 10,000-square-foot building on Deming Road; Spruce Brook Plaza, a 17,500-square-foot development south of Spruce Brook; Camden Way, a 12,000- square-foot development

south of Route 9; and a 7,500-square-foot plaza at the south end of the Turnpike. Also, an Irving gas station, car wash, convenience store combination was redeveloped on a formerly underutilized site; a new 6,000-plus-square-foot office building was developed on the Turnpike near Worthington Ridge; Nadeau Brothers has been expanding its development including 10,000-plus square feet of flex space completed in 2008; and Woodlawn Road Associates built a 38,000-square-foot flex building known as Berlin Tech Center at the corner of Woodlawn Road and Fuller Way which is fully occupied.

Farmington Avenue continues to be a focus for the Town. New buildings completed since 1998 now house CVS Pharmacy, Rite Aid, Walgreens, Banknorth, Arby's and Farmington Savings Bank. Legion Square LLC built a 74,000-square-foot retail plaza anchored by a Super Stop & Shop store that opened in late 2005.

Christian Lane Industrial Park East and West are projects being undertaken by the same developer. To date over 50,000 square feet of space has been developed and future construction is planned. Also on Christian Lane, a 40,000-square-foot building was completed for Precision Punch in 2003, and Tech Air built a 10,000-square-foot facility in 2005 and Colossale Construction built 10,000 square feet in 2008. Also on Christian Lane, Bodycote completed a \$5 million investment in its facility and equipment in 2009.

Cornerstone Business Park on Four Rod Road is another project under development. The second building in the Park was completed in the summer of 2002, and expanded in 2008. This 28,000-square-foot building is occupied by Cambridge Specialties. The last lot is now being developed into an eight-building, 41,000-square-foot industrial condominium complex and the first seven buildings are now complete.

Sportika, Cyclone Systems, First Class Construction LLC, Midsun Specialty Products, Connecticut Roofing Representatives, ABC Building Supply Co, Tyler Equipment, TIGHTICO, and Jacunski Humes Architects are a few of the other firms that have moved into new or existing facilities in Berlin.

Expansion of existing companies is a significant source of economic growth in Berlin. Among the businesses that have expanded recently are Letter Concepts, TOMZ Corp., Harvey Industries, New Britain Transportation, TM Industries, Budney Industries, B&F Machine and Heise Industries, Inc. In total, these businesses added over 100,000 square feet of building space. Also, Parker Hannifin, Inc. Fluid Control Division invested \$5.6 million in renovations to its 150,000-square-foot facility located at 95 Edgewood Avenue. The modernization of the building completed in 2005 included the renovation of the general offices, engineering and test labs and manufacturing floor area, transforming the property to a current state-of-the-art operation.

Northeast Utilities ("NU") continues to be Berlin's largest employer and taxpayer. In 2002 NU completed a \$3 million renovation of the NU South building in the corporate complex. NU affiliates Yankee Gas Services and Connecticut Light & Power relocated to the complex, adding a substantial number of employees to the Berlin campus. In early 2004, NU completed another major renovation project, investing over \$3.25 million in renovations to the NU South building to create a new Central Systems Operations Center for its Connecticut Light & Power unit. In 2009 Northeast Utilities bought a 100,000 square foot warehouse on Massirio Drive for its transmission business unit. In addition, a \$12 million, 18,500-square-foot addition at its corporate site and an expansion to its aerial device facility were both completed in 2010.

In addition to the age-restricted apartments already mentioned, other age-restricted condominium projects in development are, the 20-unit Sunny Ledge project on New Britain Road, the 24-unit Silver Island project, the 21 unit Hatchery Brook Homes, and the 194-unit Beckley Farms. Also, Metro Realty received approvals and has obtained building permits for two Workforce Housing projects on Deming Road: Fieldstone Crossing (72 units) and Rivers Edge (16 units).

In addition, construction has begun to convert the vacant former Sherwood Tool complex into the "Lofts at Sherwood Falls" 84 unit (non age-restricted) condominiums. The first 24 units were completed in September 2010 and construction is under way on phase two which includes an additional 23 units.

In summary, Berlin has continued to be an attractive location for a diverse mix of projects including office, industrial, commercial and age restricted residential developments and significant projects are proceeding in all areas of Town with the necessary zoning and infrastructure. At the same time Berlin has added 700 acres

of open space to continue to provide a balanced community including areas that maintain the Town's rural heritage.

Population and Density

<u>Year</u>	<u>Population</u> ¹	<u>Percent Change</u>	<u>Density</u> ²
2010	19,866	9.1	736
2000	18,215	8.5	675
1990	16,787	10.9	622
1980	15,121	6.9	560
1970	14,149	-	524

¹Source: U.S. Department of Commerce, Bureau of Census, Census of Population 1970-2010.

²Based on 27.0 square miles.

Age Distribution of the Population

<u>Age</u> ¹	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 years	1,022	5.6	223,344	6.5
5 to 9 years	1,267	7.0	244,144	7.2
10 to 14 years	1,402	7.7	241,587	7.1
15 to 19 years	1,130	6.2	216,627	6.4
20 to 24 years	638	3.5	187,571	5.5
25 to 34 years	1,812	9.9	451,640	13.2
35 to 44 years	3,246	17.8	581,049	17.1
45 to 54 years	2,960	16.3	480,807	14.1
55 to 59 years	960	5.3	176,961	5.2
60 to 64 years	749	4.1	131,652	3.9
65 to 74 years	1,544	8.5	231,565	6.8
75 to 84 years	1,184	6.5	174,345	5.1
85 years and over	<u>301</u>	<u>1.6</u>	<u>64,273</u>	<u>1.9</u>
Total	18,215	100.0	3,405,565	100.0
2000 median age (years) ¹	41.0	-	37.4	-
1990 median age (years) ²	37.5	-	34.4	-

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

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

Income Distribution

	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ 0 - 9,999	41	0.8	33,423	3.8
10,000 - 14,999	45	0.9	23,593	2.7
15,000 - 24,999	168	3.3	63,262	7.1
25,000 - 34,999	400	7.7	75,413	8.5
35,000 - 49,999	649	12.5	120,134	13.6
50,000 - 74,999	1,156	22.3	198,924	22.5
75,000 - 99,999	1,249	24.1	141,981	16.0
100,000 - 149,999	1,080	20.9	132,177	14.9
150,000 - 199,999	228	4.4	42,472	4.8
200,000 and over	<u>161</u>	<u>3.1</u>	<u>54,368</u>	<u>6.1</u>
Total	5,177	100.0	885,747	100.0

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

Comparative Income Measures

	<u>Town of Berlin</u>	<u>State of Connecticut</u>
Per capita income, 1999	\$27,744	\$28,766
Median family income, 1999	\$76,756	\$65,521
Median household income, 1999	\$68,068	\$53,935
Percent below poverty, 1999 (families) .	1.4%	5.6%

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

Educational Attainment

Years of School Completed - Age 25 and Over

	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade	575	4.5	132,917	5.8
9th to 12th grade, no diploma	1,044	8.2	234,739	10.2
High school graduate	3,689	29.0	653,300	28.5
Some college, no degree	2,516	19.7	402,741	17.5
Associate's degree	993	7.8	150,926	6.6
Bachelor's degree	2,621	20.6	416,751	18.2
Graduate or professional degree	<u>1,301</u>	<u>10.2</u>	<u>304,243</u>	<u>13.2</u>
Total	12,739	100.0	2,295,617	100.0
Total high school graduate or higher	-	87.3	-	84.0
Total bachelor's degree or higher	-	30.8	-	31.4

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

Age Distribution of Housing

<u>Year Structure Built</u>	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Built in 1939 or earlier	1,235	17.8	308,896	22.3
Built in 1940-1969	2,930	42.1	571,218	41.2
Built in 1970-1979	926	13.3	203,377	14.7
Built in 1980-1989	937	13.5	183,405	13.2
Built in 1990-1994	410	5.9	56,058	4.0
Built in 1995-March 2000	<u>517</u>	<u>7.4</u>	<u>63,021</u>	<u>4.6</u>
Total	6,955	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 Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Single-family detached	5,821	83.7	816,706	58.9
Single-family attached	212	3.1	71,185	5.1
Multifamily	877	12.6	485,890	35.1
Mobile home, trailer, or other	<u>45</u>	<u>0.6</u>	<u>12,194</u>	<u>0.9</u>
Total	6,955	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 Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Occupied housing units	6,792	97.7	1,301,670	93.9
Vacant housing units	<u>163</u>	<u>2.3</u>	<u>84,305</u>	<u>6.1</u>
Total units	6,955	100.0	1,385,975	100.0
Homeowner vacancy rate	-	0.5	-	1.1
Rental vacancy rate	-	3.9	-	5.6

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

Owner-occupied Housing Units

	<u>Town of Berlin</u>	<u>State of Connecticut</u>
Total owner-occupied units	5,996	869,729
Persons per unit	2.75	2.67
Mean number of rooms	6.30	5.60

<u>Specified Owner-occupied Units</u>	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	16	0.3	5,996	0.8
\$ 50,000 to \$ 99,999	169	3.1	85,221	11.7
\$100,000 to \$149,999	1,566	28.5	212,010	29.1
\$150,000 to \$199,999	2,169	39.4	156,397	21.5
\$200,000 to \$299,999	1,176	21.4	137,499	18.9
\$300,000 to \$499,999	389	7.1	79,047	10.9
\$500,000 or more	<u>12</u>	<u>0.2</u>	<u>52,074</u>	<u>7.1</u>
Total	5,497	100.0	728,244	100.0
Median value	\$171,300	-	\$166,900	-

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

Number and Size of Households

<u>Household Characteristics</u>	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Persons in households	18,113	-	3,297,626	-
Persons per household (average)	2.67	-	2.53	-
Persons per family	3.11	-	3.08	-
Family households	5,155	75.9	881,170	67.7
Non-family households	<u>1,637</u>	<u>24.1</u>	<u>420,500</u>	<u>32.3</u>
All households	6,792	100.0	1,301,670	100.0
Family households by type				
Married couple	4,448	86.3	676,467	76.8
Female householders, no spouse	526	10.2	157,411	17.8
Other	<u>181</u>	<u>3.5</u>	<u>47,292</u>	<u>5.4</u>
Total family households	5,155	100.0	881,170	100.0
Non-family households by type				
Householders living alone	1,415	86.4	344,224	81.9
Other	<u>222</u>	<u>13.6</u>	<u>76,276</u>	<u>18.1</u>
Total non-family households	1,637	100.0	420,500	100.0

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

Number and Value of Building Permits

<u>Fiscal Year</u>	<u>Residential</u>		<u>Industrial/Commercial</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2011 ¹	786	\$16,586,159	91	\$ 3,036,159	877	\$19,622,318
2010	1,154	17,840,671	149	19,334,044	1,303	37,174,715
2009	1,014	12,358,509	210	6,657,253	1,224	19,015,762
2008	1,171	17,772,792	258	10,147,352	1,429	27,920,144
2007	1,323	25,843,052	218	7,742,104	1,541	33,485,156
2006	1,169	31,641,502	252	13,278,003	1,421	44,919,505
2005	1,154	15,648,369	232	9,471,476	1,386	25,119,845
2004	1,380	17,459,128	204	10,750,114	1,584	28,209,242
2003	1,256	15,521,267	229	7,827,988	1,485	23,349,255
2002	1,727	20,808,470	243	13,906,105	1,970	34,714,575
2001	1,217	22,864,557	224	7,582,040	1,441	30,446,597
2000	1,230	19,426,230	183	10,344,644	1,413	29,770,874
1999	1,249	16,627,621	255	8,493,346	1,504	25,120,967
1998	1,088	14,953,184	178	5,067,053	1,266	20,020,237

¹ Through January 30, 2011.

Industry Classification

<u>Sector</u>	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fishing, hunting, and mining.....	63	0.7	7,445	0.4
Construction	652	6.7	99,913	6.0
Manufacturing	1,366	14.2	246,607	14.8
Wholesale trade	441	4.6	53,231	3.2
Retail trade	1,126	11.7	185,633	11.2
Transportation, warehousing and utilities	450	4.7	64,662	3.9
Information	286	3.0	55,202	3.3
Finance, insurance, real estate and leasing	1,031	10.7	163,568	9.8
Professional, scientific, management, administrative and waste management	653	6.8	168,334	10.1
Educational, health and social services	2,089	21.6	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	535	5.5	111,424	6.7
Other services	344	3.6	74,499	4.5
Public administration	<u>612</u>	<u>6.2</u>	<u>67,354</u>	<u>4.1</u>
Total	9,648	100.0	1,664,440	100.0

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

Labor Force Data

<u>Reporting Period Average</u>	<u>Town of Berlin</u>			<u>Percent Unemployed</u>		
	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Town of Berlin</u>	<u>Hartford Labor Market</u>	<u>State of Connecticut</u>
March 2011	11,758	10,791	967	8.2	9.3	9.3
2010	11,683	10,785	898	7.7	9.2	9.1
2009	11,694	10,876	818	7.0	8.3	8.2
2008	11,540	11,006	534	4.6	5.7	5.6
2007	11,314	10,891	423	3.7	4.7	4.6
2006	11,113	10,694	419	3.8	4.6	4.4
2005	10,710	10,246	464	4.3	5.1	4.9
2004	10,549	10,111	438	4.2	5.2	4.9
2003	10,532	10,035	497	4.7	5.7	5.5
2002	10,450	10,075	375	3.6	4.5	4.4
2001	10,176	9,920	256	2.5	3.2	3.1
2000	10,033	9,838	195	1.9	2.3	2.3

Source: Based on U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut.

Major Employers

<u>Employer</u>	<u>Nature of Business</u>	<u>Employees¹</u>
Northeast Utilities	Utility	1,703
Town of Berlin	Municipal government	611
Comcast Cable Systems (formerly AT&T Broadband Services)	Cable TV	516
Parker Hannifin	Solenoid valves	320
Corbin Russwin	Architectural hardware	269
B&F Machine	Aerospace parts	185
TIGHITCO	Aerospace parts	151
The Home Depot	Retail	135
TOMZ Corporation	Medical and aerospace parts	101

¹ Approximate employment level as of March, 2011.

Source: Department of Economic Development/Department of Finance, Town of Berlin.

Commute to Work 16 years of age and over

	<u>Town of Berlin</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Drove alone	8,613	90.5	1,312,700	80.0
Car pools	526	5.5	154,400	9.4
Using public transportation	37	0.4	65,827	4.0
Walked	115	1.2	44,348	2.7
Using other means	52	0.5	12,130	0.8
Worked at home	<u>176</u>	<u>1.9</u>	<u>51,418</u>	<u>3.1</u>
Total	9,519	100.0	1,640,823	100.0
Mean travel to work (minutes)	19.1	-	24.4	-

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

Land Use Breakdown

<u>Land Use Category</u>	<u>Total Area</u>		<u>Developed</u>		<u>Undeveloped</u>	
	<u>Acres¹</u>	<u>Percent</u>	<u>Acres</u>	<u>Percent</u>	<u>Acres</u>	<u>Percent</u>
Residential	15,175	86.0	13,043	89.9	2,132	68.9
Commercial/industrial	<u>2,425</u>	<u>14.0</u>	<u>1,457</u>	<u>10.1</u>	<u>968</u>	<u>31.1</u>
Total	17,600	100.0	14,500	100.0	3,100	100.0

¹ Includes approximately 1,603 acres of local and state roads and highways. Also includes approximately 4,824 acres of local and State-owned real estate.

SECTION IV - DEBT SECTION

Summary of Outstanding Debt As of June 1, 2011 (Pro Forma)

The Town of Berlin last issued long-term debt in the amount of \$4,645,000 dated April 15, 2010. As of June 1, 2011, the Town will have \$28,835,000 direct long-term debt outstanding and \$6,317,000 short-term debt, with \$75,932,000 authorized-but-unissued debt authorizations. The Town will have underlying debt for the Kensington Fire District in the amount of \$621,161, underlying debt for the Worthington Fire District in the amount of \$832,551 and overlapping debt for The Mattabassett District of \$200,000. Approximately 38% of the Town's direct long-term debt will be retired in five years and 74% in ten years.

Debt Summary As of June 1, 2011 (Pro Forma)

Outstanding Short-term Debt

<u>Purpose</u>	<u>Amount Authorized</u>	<u>Notes Outstanding</u>
Open space	\$2,000,000	\$ 280,000
Materials storage yard	300,000	160,000
Berlin Turnpike property	375,000	335,000
Town Hall chiller replacement	340,000	262,000
Beckley Bridge	500,000	280,000
High school renovations	69,950,000	<u>5,000,000</u>
		\$6,317,000

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>
09/01/09	09/01/24	Various purpose	2.00-3.625	\$ 8,195,000	\$ 8,195,000
04/15/10	10/01/13	Refunding, Series A	2.00-4.00	2,615,000	2,000,000
04/15/10	10/01/15	Refunding, Series B	3.00-4.00	2,030,000	2,030,000
06/01/11	06/01/26	This issue	-	16,610,000	<u>16,610,000</u>
Total					\$28,835,000

Overlapping/Underlying Debt As of June 1, 2011 (Pro Forma)

Overlapping Debt

The Town of Berlin, along with the City of New Britain and the Town of Cromwell, is a member of The Mattabassett District, which was organized under a Special Act of the 1961 Session of the Connecticut General Assembly. The three constituent municipalities approved the District's charter dated May 1963. The function of the District is to operate and maintain a water pollution control system, and it is governed by a District Board composed of twelve members appointed by the constituent municipalities. The District currently has \$200,000 in short-term debt outstanding.

Subsequent to a comprehensive 1999 study, the Mattabassett District embarked on a plan to upgrade and expand treatment capabilities in order to meet the stricter Department of Environmental Protection requirements for the removal of nitrogen as well as to provide for the additional flow capacity needs of the member communities. Total construction costs are estimated at \$100 million. A loan from the Department of Environmental Protection Clean Water Fund will cover approximately 23% of the cost. An additional \$25

million federal grant is being sought. The remainder of the costs will be borne by sewer fee increases spread across the member towns.

Underlying Debt

The Kensington Fire District and the Worthington Fire District were both chartered in the early 1920s to provide municipal services to the residents living within their boundaries. Such services included water, sewerage, street lighting, and refuse collection, all of which have since been taken over by the Town, except for water and sewer service. As independent municipal corporations within the Town, the Fire Districts have the power to levy taxes and issue debt. No funds or services are provided by the Town of Berlin. As of June 1, 2011, the Kensington Fire District and the Worthington Fire District have \$832,551 and \$621,161, respectively, in long-term debt outstanding.

**Annual Bonded Debt Maturity Schedule
As of June 1, 2011
(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	\$ -	\$ -	\$ -	\$ -	-
2012	1,620,000	334,700	1,954,700	-	5.62
2013	1,690,000	287,675	1,977,675	-	11.48
2014	1,690,000	234,150	1,924,150	1,235,000	21.62
2015	1,015,000	193,088	1,208,088	1,250,000	29.48
2016	1,165,000	165,163	1,330,163	1,265,000	37.91
2017	870,000	139,625	1,009,625	1,285,000	45.38
2018	875,000	116,719	991,719	1,300,000	52.92
2019	875,000	91,562	966,562	1,300,000	60.46
2020	875,000	65,312	940,312	1,340,000	68.15
2021	350,000	46,719	396,719	1,375,000	74.13
2022	300,000	36,375	336,375	1,160,000	79.19
2023	300,000	26,438	326,438	1,205,000	84.41
2024	300,000	16,125	316,125	1,240,000	89.75
2025	300,000	5,437	305,437	1,290,000	95.27
2026	-	-	-	<u>1,365,000</u>	100.00
Total	\$12,225,000	\$1,759,088	\$13,984,088	\$16,610,000	

¹ Does not include interest on this issue.

²³Excludes \$1,035,000 principal payments and \$363,290 interest payments made from July 1, 2010 through June 1, 2011.

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

**Authorized but Unissued Debt
As of June 1, 2011
(Pro Forma)**

<u>Project¹</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Paydowns/ Grants</u>	<u>Bonds Issued</u>	<u>Notes Outstanding</u>	<u>Authorized but Unissued</u>
Land acquisition/ playing fields development	05/22/01	\$1,500,000	\$210,000	\$ 615,000	\$ -	\$ 675,000
Open space (2003)	09/23/03	2,000,000	70,000	700,000	280,000	950,000
Firefighting/ rescue vehicles (2006)	07/11/06	3,520,000	-	1,110,000	-	2,410,000
Open space (2006)	07/11/06	2,000,000	-	70,000	-	1,930,000
Public Works storage yard	07/11/06, 01/09/07	300,000	-	-	160,000	140,000
Land acquisition/Berlin Turnpike	02/05/08	375,000	40,000	-	335,000	-
Pistol Creek property	06/03/08	5,625,000	285,000	5,340,000	-	-
Sherwood Mill property	12/02/08	1,150,000	-	1,100,000	-	50,000
McGee School air quality renovations	01/19/10	6,950,000	-	6,950,000	-	-
Town Hall chiller replacement	05/04/10	340,000	66,000	-	262,000	12,000
Beckley Bridge	05/04/10	500,000	70,000	-	280,000	150,000
McGee School roof	10/05/10	1,885,000	-	1,220,000	-	665,000
High school renovations	03/15/11	69,950,000	-	-	5,000,000	64,950,000 ¹
Road improvements	04/19/11	<u>6,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>4,000,000</u>
Total		\$102,095,000	\$741,000	\$19,105,000	\$6,317,000	\$75,932,000

¹The Town expects to receive approximately \$26 million of State grants toward this project.

**Current Debt Statement
As of June 1, 2011
(Pro Forma)**

Bonded debt	
General purpose (including this issue)	\$17,701,575
Schools (including this issue)	<u>11,133,425</u>
Bonded debt	28,835,000
Short-term debt (this issue)	<u>6,317,000</u>
Direct debt	35,152,000
Overlapping debt - The Mattabassett District	200,000
Underlying debt - Kensington and Worthington Fire Districts	<u>1,453,712</u>
Overall debt	\$36,805,712

**Current Debt Ratios
As of June 1, 2011
(Pro Forma)**

Population 2010 ¹	19,866
Net taxable grand list, 10/1/10	\$2,313,552,149
Estimated full value	\$3,305,074,499
Equalized net taxable grand list (2008) ²	\$3,211,952,015
Money income per capita (1999) ³	\$27,744

	Direct Debt <u>\$35,152,000</u>	Overall Debt <u>\$36,805,712</u>
Debt per capita	\$1,769.48	\$1,852.70
Percent of net taxable grand list	1.52%	1.59%
Percent of estimated full value	1.06%	1.11%
Percent of equalized net taxable grand list	1.09%	1.15%
Debt per capita to money income per capita	6.38%	6.68%

¹ U.S. Department of Commerce, Bureau of Census, 2010 Census.

² State of Connecticut, Office of Policy and Management.

³ U.S. Department of Commerce, Bureau of Census, 2000 Census.

**Five-year Debt Statement Summary
(\$ in thousands)**

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Population ¹	19,866	20,467	20,364	20,254	20,137
Net taxable grand list	\$2,245,323	\$2,225,689	\$1,709,972	\$1,663,795	\$1,622,011
Estimated full value	\$3,207,604	\$3,179,556	\$2,442,817	\$2,376,850	\$2,317,159
Equalized net taxable grand list ²	\$3,211,952	\$3,229,787	\$3,342,194	\$3,194,877	\$2,976,466
Bond anticipation notes	\$ 3,640	\$11,495	\$3,995	\$3,335	\$ 760
Bonded debt	<u>13,260</u>	<u>6,330</u>	<u>8,095</u>	<u>9,860</u>	<u>12,125</u>
Total direct debt	16,900	17,825	12,090	13,195	12,885
Less school construction grants ..	<u> -</u>	<u> 96</u>	<u> 182</u>	<u> 363</u>	<u> 804</u>
Net direct debt	16,900	17,729	11,908	12,832	12,081
Overlapping debt	<u> 950</u>	<u> 374</u>	<u> 473</u>	<u> 670</u>	<u> 865</u>
Total overall net debt	\$17,850	\$18,103	\$12,381	\$13,502	\$12,946

¹ State of Connecticut, Department of Health Services estimates for 2006-2009; U.S. Department of Commerce, Bureau of Census, 2010 Census for 2010.

² State of Connecticut, Office of Policy and Management.

Five-year Debt Statement Summary Ratios

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Total direct debt:					
Per capita	\$850.70	\$870.91	\$593.69	\$651.48	\$639.87
To net taxable grand list	0.75%	0.79%	0.71%	0.79%	0.79%
To estimated full value	0.53%	0.56%	0.50%	0.56%	0.56%
To equalized net taxable grand list	0.53%	0.55%	0.36%	0.41%	0.43%
Total direct debt per capita to per capita income ¹	3.07%	3.14%	2.14%	2.35%	2.31%
Net direct debt:					
Per capita	\$809.93	\$866.22	\$584.76	\$633.55	\$599.94
To net taxable grand list	0.75%	0.79%	0.70%	0.77%	0.74%
To estimated full value	0.53%	0.55%	0.49%	0.54%	0.52%
To equalized net taxable grand list	0.53%	0.55%	0.36%	0.40%	0.41%
Net direct debt per capita to per capita income ¹	3.07%	3.12%	2.11%	2.28%	2.16%
Total overall net debt					
Per capita	\$898.52	\$884.50	\$607.98	\$666.63	\$642.90
To net taxable grand list	0.79%	0.81%	0.72%	0.81%	0.80%
To estimated full value	0.56%	0.56%	0.51%	0.57%	0.56%
To equalized net taxable grand list	0.56%	0.56%	0.37%	0.42%	0.43%
Total overall net debt per capita to per capita income ¹	3.24%	3.19%	2.19%	2.40%	2.32%

¹ U.S. Department of Commerce, Bureau of Census, 2000 Census per capita income of \$27,744.

**Statement of Statutory Debt Limitation
As of June 1, 2011
(Pro Forma)**

(000s omitted)

Debt Limitation Base

Total tax collections, including interest and lien fees, for the fiscal year ended June 30, 2010:		
General Fund		\$51,299
Fire Districts		1,110
Reimbursement for revenue loss on Elderly Tax Relief		<u>5</u>
Debt Limitation Base		\$52,414

	<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	\$117,932				
4.50 x base	-	\$235,863			
3.75 x base	-	-	\$196,553		
3.25 x base	-	-	-	\$170,346	
3.00 x base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$157,242</u>
Total debt limitation	117,932	235,863	196,553	170,346	157,242
Less indebtedness					
Bonds of this issue	8,440	8,170	-	-	-
Notes of this issue	1,317	5,000	-	-	-
Bonds payable	9,262	2,963	-	-	-
Underlying/overlapping debt	-	-	1,654	-	-
Authorized but unissued	<u>10,317</u>	<u>65,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	29,336	81,748	1,654	-	-
Debt limitation in excess of outstanding and authorized debt					
	\$88,596	\$317,711	\$194,899	\$170,346	\$157,242

In accordance with Connecticut General Statutes municipalities may not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness to be exceeded by class as outlined above and in no case shall total indebtedness exceed seven times the base, or in the Town's case, \$366,898.

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

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is authorized upon adoption of an ordinance by the Town Council. Notice of passage of the bond ordinance shall be provided by newspaper publication. Adoption of

the bond ordinance shall be subject to referendum approval by a majority of those voting if petitioned not later than 14 days from publication by at least three percent of the total number of qualified electors whose names appear on the last voting list with the Town Clerk.

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by no later than the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

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

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

Debt Management Policy

On July 13, 1999, the Town Council adopted a comprehensive Debt Management Policy, setting forth the parameters for issuing debt. The policy outlines the complete capital planning process and the planning and structuring of Town indebtedness. The policy establishes standards regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used, and, if recommended, structural features that may be incorporated. The standards do not bind debt management decisions.

Ratio of Annual Debt Service to General Fund Expenditures and Transfers Out

<u>Fiscal Year Ended 6/30</u>	<u>Total Debt Service</u>	<u>General Fund Expenditures and Transfers Out</u>	<u>Ratio of Debt Service to Expenditures and Transfers</u>
2010	\$1,578,234	\$67,771,198	2.33%
2009	2,223,136	68,106,348	3.26
2008	2,288,358	77,687,962	2.95
2007	2,819,982	62,955,127	4.48
2006	2,466,553	58,942,515	4.18

SECTION V - FINANCIAL SECTION

The comparative balance sheets, statements of revenues, expenditures, and changes in fund balance for General Fund types, and other financial information presented herein are derived from audited financial statements for fiscal years ended June 30, 2006 through 2010. The Town has provided budgetary information for fiscal year ending June 30, 2011. The Town's independent accountants have not examined, reviewed, or compiled any of the estimates or expressed any opinion 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's management.

Accounting Policies and Basis of Accounting

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 governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Town has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds in addition to two Internal Service Funds - Medical and Health Insurance Fund for current and past employees and General Insurance Fund for uninsured property and casualty losses. The Town's accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Internal Service, Agency and Pension Trust Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See "Notes to Financial Statements" in Appendix A herein for more information.

Comparative Balance Sheets – General Fund

	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	<u>6/30/06</u>
<i>Assets</i>					
Cash and cash equivalents	\$10,332,936	\$10,284,935	\$10,767,078	\$ 9,960,377	\$ 9,071,026
Receivables:					
Taxes	1,590,653	1,379,477	1,047,512	1,051,084	986,642
Other	985,953	978,726	771,655	1,141,371	629,164
Intergovernmental	-	-	181,687	-	803,811
Due from other funds	<u>18,682</u>	<u>285,828</u>	<u>85,507</u>	<u>388,955</u>	<u>7,479</u>
Total assets	\$12,928,224	\$12,928,966	\$12,853,439	\$12,541,787	\$11,498,122
<i>Liabilities and fund balance</i>					
<i>Liabilities</i>					
Accounts payable	\$ 1,265,282	\$ 1,018,226	\$ 1,259,532	\$ 1,127,218	\$ 1,185,540
Taxes collected in advance	220,836	340,625	174,940	136,048	188,821
Deferred revenues	<u>2,662,300</u>	<u>2,370,391</u>	<u>1,899,935</u>	<u>2,107,596</u>	<u>2,268,722</u>
Total liabilities	4,148,418	3,729,242	3,334,407	3,370,862	3,643,083
<i>Fund balance</i>					
Unreserved – designated for subsequent year’s expenditures ...	1,300,000	2,000,000	2,000,000	1,300,000	1,120,000
Undesignated	<u>7,479,806</u>	<u>7,199,724</u>	<u>7,519,032</u>	<u>7,870,925</u>	<u>6,735,039</u>
Total fund balance	8,779,806	9,199,724	9,519,032	9,170,925	7,855,039
Total liabilities and fund balance ...	\$12,928,224	\$12,928,966	\$12,853,439	\$12,541,787	\$11,498,122
<i>Analysis of General Fund equity</i>					
Operating revenues ¹	\$64,103,445	\$64,535,446	\$63,824,625	\$61,845,612	\$58,708,534
Fund balance as a percent of operating revenues	13.7	14.3	14.9	14.8	13.4
Undesignated fund balance as a percent of operating revenues ..	11.7	11.2	11.8	12.7	11.5

¹Does not include payments made on behalf of the Town by the State of Connecticut for the Teachers’ Retirement System. Such payments were as follows:

2009–10	\$ 3,163,535
2008–09	3,028,580
2007–08	13,980,947
2006–07	2,239,758
2005–06	2,168,572

General Fund Revenues, Expenditures and Changes in Fund Balance

	Adopted Budget <u>2011-12¹</u>	Amended Budget <u>2010-11¹</u>	Actual <u>2009-10</u>	Actual <u>2008-09</u>	Actual <u>2007-08</u>	Actual <u>2006-07</u>
Revenues						
Property taxes	\$56,652,140	\$53,692,377	\$51,226,824	\$50,700,632	\$49,846,526	\$48,565,796
Charges for services	3,788,546	3,814,320	4,228,400	4,260,334	4,064,962	4,248,684
Intergovernmental revenues	7,660,554	8,195,509	11,239,269	11,668,616	22,335,205	9,291,106
Income on investments	537,670	582,892	260,452	763,393	1,370,714	1,606,318
Miscellaneous	<u>1,750,200²</u>	<u>1,557,900³</u>	<u>312,035</u>	<u>171,051</u>	<u>188,165</u>	<u>373,466</u>
Total revenues	70,389,110	67,842,998	67,266,980	67,564,026	77,805,572	64,085,370
Expenditures						
General government	4,110,753	3,686,305	2,922,181	3,285,061	3,231,878	3,471,870
Community development	777,343	771,952	706,227	718,261	691,162	661,771
Public safety	7,862,146	7,512,275	6,943,284	6,631,102	6,536,574	6,568,905
Physical services	7,625,589	7,412,316	6,839,508	6,839,361	6,571,552	6,189,153
Parks, recreation and libraries	3,902,038	4,095,329	3,751,081	3,836,060	3,865,838	3,554,952
Health and human services	2,251,999	2,193,672	2,094,284	2,139,848	1,971,946	1,842,186
Schools	40,691,431	39,899,267	42,342,339	41,651,157	50,558,499	37,095,815
Debt service:						
Principal	1,662,258	1,575,600	1,207,966	1,765,000	1,766,266	2,265,000
Interest and fiscal charges	<u>1,104,953</u>	<u>696,282</u>	<u>370,268</u>	<u>458,136</u>	<u>522,092</u>	<u>554,982</u>
Total expenditures	69,988,510	67,842,998	67,177,138	67,323,986	75,715,807	62,204,634
Excess of revenues over expenditures	400,600	-	89,842	240,040	2,089,765	1,880,736
Other financing sources (uses):						
Proceeds from refunding bonds	-		4,645,000	-	-	-
Payments to escrow agent	-		(4,815,247)	-	-	-
Operating transfers in	-		254,547	223,014	230,497	185,643
Operating transfers out	<u>(400,600)</u>		<u>(594,060)</u>	<u>(782,362)</u>	<u>(1,972,155)</u>	<u>(750,493)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-		(419,918)	(319,308)	348,107	1,315,886
Fund balance, beginning of year			<u>9,199,724</u>	<u>9,519,032</u>	<u>9,170,925</u>	<u>7,855,039</u>
Fund balance, end of year			\$8,779,806	\$9,199,724	\$9,519,032	\$9,170,925

¹ Data presented on a budgetary basis; does not include payments made on behalf of the Town by the State of Connecticut for Teachers Retirement System.

² Includes \$1,550,000 transfer from fund balance.

³ Includes \$1,300,000 transfer from fund balance.

Intergovernmental Revenues as a Percent of General Fund Revenues

Fiscal Year Ended June 30	Intergovernmental Revenues	General Fund Revenues	Percent
2010	\$11,239,269	\$67,266,980	16.71
2009	11,668,616	67,564,026	17.27
2008	22,335,205	77,805,572	28.71
2007	9,291,106	64,085,370	14.50
2006	9,092,542	60,877,106	14.94

Comparative Assessed Valuations (\$ in thousands)

Fiscal Year Ended 6/30	Grand List of 10/1	Real Property Percent	Personal Property Percent	Motor Vehicle Percent	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	Percent Change
2011	2009	83.38	9.29	7.33	\$2,341,485	\$62,090	\$2,279,395	1.52
2010	2008	84.34	8.63	7.03	2,305,171	59,849	2,245,322	0.88
2009	2007	84.67	8.22	7.11	2,268,402	42,713	2,225,689	30.16
2008	2006	80.36	10.56	9.08	1,744,326	37,354	1,709,972	2.78
2007	2005	80.82	10.29	8.89	1,698,126	34,331	1,663,795	2.58
2006	2004	81.25	10.23	8.52	1,655,764	33,753	1,622,011	1.72
2005	2003	81.62	10.39	7.99	1,627,126	32,549	1,594,577	-

Assessment Practices

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. Generally, the law requires a revaluation every five years and a general revaluation based on physical observation where the preceding revaluation in the five-year cycle was a statistical revaluation. The Town last performed a revaluation based on physical observation for the assessment year commencing October 1, 2007. Assessments for real estate are computed at 70% of the estimated market value at the time of the last 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 is 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 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Town of Berlin has not approved the use of Section 12-124a of the Connecticut General Statutes, which permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income.

Tax Collections

Fiscal Year Ended 6/30	Net Taxable Grand List (000s)	Mill Rate	Total Adjusted Tax Levy (000s)	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 1/31/11
2011	\$2,279,395	23.65	\$53,731	In process		2.0
2010	2,245,323	22.69	50,810	98.42	1.58	1.0
2009	2,225,689	22.69	50,792	98.42	1.58	1.0
2008	1,706,972	28.74	49,550	98.87	1.13	0.3
2007	1,663,795	28.74	48,323	98.92	1.08	0.2
2006	1,622,011	28.40	46,494	98.86	1.14	0.1
2005	1,594,577	27.43	43,948	98.83	1.17	0.1
2004	1,568,783	25.30	39,902	98.83	1.17	0.1

Property Taxes Receivable

Fiscal Year Ended 6/30	Current Year	Total
2010	\$808,974	\$1,731,850
2009	802,870	1,507,897
2008	561,509	1,147,553
2007	519,577	1,168,233
2006	529,642	1,096,748

Principal Taxpayers

Name	Nature of Business	Taxable Valuation As of 10/1/10	Percent of Net Taxable Grand List¹
Rocky River Realty Company (including BLC Corp., Connecticut Light & Power, Select Energy, Northeast Utilities, Yankee Gas, etc.)	Utility	\$181,188,630	7.83
Corbin Russwin	Hardware	25,675,870	1.11
Cedar Brickyard LLC	Shopping center	23,727,700	1.03
Stonebridge Berlin Associates	Apartments	9,175,700	0.40
BRE Realty LLC	Shopping center	8,564,480	0.37
Autohaas North America, Inc.	Plastics	8,385,530	0.36
Blue Dog Properties Trust	Trust management	7,414,500	0.32
Berlin Commerce Park	Industrial park	7,172,000	0.31
Legion Square Associates LLC	Shopping center	6,869,400	0.30
Paradigm Precision Holdings LLC	Manufacturer	<u>6,529,410</u>	<u>0.28</u>
Total		\$284,703,220	12.31

¹ Based on 10/1/10 Net Taxable Grand List of \$2,313,552,149, before Board of Assessment Appeals.

Tax Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Taxes are payable on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle supplemental bills are payable on January 1. 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 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 that are deemed to be uncollectible.

Capital Improvement Program

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Total</u>
<i>Purpose</i>						
Townwide	\$1,000,000	\$ 1,075,000	\$ 4,100,000	\$ 1,000,000	\$ 1,000,000	\$ 8,175,000
Finance	6,379	-	-	-	-	6,379
Technology	53,150	70,760	103,371	56,500	28,500	312,281
Nursing	9,916	-	-	-	-	9,916
Revaluation	-	45,200	45,200	45,200	-	135,600
Planning/building	25,000	25,000	25,000	25,000	-	100,000
Economic development	760,000	1,075,000	1,150,000	75,000	75,000	3,135,000
Public safety	2,075,250	13,943,000	262,500	1,453,000	274,000	18,007,750
Public works	3,316,322	4,352,322	4,754,450	3,537,600	2,883,800	18,844,494
Recreation	6,515	561,258	17,892,217	-	-	18,459,990
Libraries	12,000	29,000	-	-	-	41,000
Public grounds	419,500	669,850	4,263,330	5,961,437	10,417,500	21,731,617
Golf course	131,369	199,607	642,434	118,896	130,646	1,222,952
Education	1,301,384	1,709,200	761,445	1,416,445	805,595	5,994,069
Water Control Commission	<u>830,000</u>	<u>1,235,000</u>	<u>1,215,000</u>	<u>615,000</u>	<u>630,000</u>	<u>4,525,000</u>
Total	<u>\$9,946,785</u>	<u>\$24,990,197</u>	<u>\$35,214,947</u>	<u>\$14,304,078</u>	<u>\$16,245,041</u>	<u>\$100,701,048</u>
<i>Funding</i>						
Town - capital	\$3,380,270	\$ 3,714,947	\$ 2,831,023	\$ 2,738,641	\$ 2,480,141	\$ 15,145,022
Town - operational	50,000	50,000	50,000	50,000	25,000	225,000
Bonds and notes	5,660,000	19,841,000	31,098,924	10,880,437	13,034,900	80,515,261
Capital non-recurring fund	26,515	149,250	20,000	20,000	75,000	290,765
Water and sewer funds	<u>830,000</u>	<u>1,235,000</u>	<u>1,215,000</u>	<u>615,000</u>	<u>630,000</u>	<u>4,525,000</u>
Total	<u>\$9,946,785</u>	<u>\$24,990,197</u>	<u>\$35,214,947</u>	<u>\$14,304,078</u>	<u>\$16,245,041</u>	<u>\$100,701,048</u>

The Town of Berlin approved a project in the amount of \$69,950,000 for the renovation and expansion of the high school. The project is estimated to receive \$26,668,000 in grants from the State of Connecticut.

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the Town Charter, the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management. The Town is in full compliance with said provisions.

Certificate of Achievement

The Town's Comprehensive Annual Financial Report ("CAFR") for the year ended June 30, 2009 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the twentieth consecutive year. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Budget Adoption Procedure

In accordance with the Town Charter, all departments, boards, commissions, committees and agencies submit budget requests, including revenue estimates, to the Town Manager. The Town Manager prepares a proposed Town budget and presents said budget together with the budget of the Board of Education as submitted along with whatever analysis or comments desired to the Town Council. The Town Council prepares and recommends the total Town budget to the annual budget hearing to be held no later than the second Tuesday in April. Following the annual budget hearing, the Town Council determines the Town budget to be recommended for adoption at the Annual Town Budget Referendum. The Annual Town Budget Referendum is held on the last Tuesday in April. Should the budget not be adopted by that referendum vote, the budget is returned to the Town Council which shall further consider and adopt an annual Town budget for the ensuing fiscal year, provided that such budget is adopted no later than May 10th.

Pension Programs

The Town sponsors and administers a single-employer public employee retirement system, which covers all full-time employees who have elected to participate in the plan except certified teachers who are eligible to participate in the State Teachers' Retirement System. In 1987-88 the Town renegotiated the pension plan with all employee groups. All new participating employees are enrolled in a defined contribution retirement plan. Employees employed prior to March 17, 1987 will receive the higher of the defined contribution or the defined benefit plan, which was in force prior to the new plan. The Berlin Police Department remained in the defined benefit plan until July 1, 2000. After this date, new police officers are enrolled in the defined contribution plan. Police officers employed prior to July 1, 2000 receive the higher of the two plans. No new employees, except Police, will accrue additional defined benefit pension plan benefits under the old plan. The pension plan has an unfunded accrued liability of \$3,670,280 as of July 1, 2009. See Appendix A - "Auditor's Section, Notes to Financial Statements, Note 14" herein.

Other Post-employment Benefits

The Town provides health and other benefits to certain eligible retirees and their spouses according to various collective bargaining agreements. The funding of and payment of these benefits are accounted for in the General Fund and an Internal Service Fund on a pay-as-you-go basis. The Town's liability is solely from the implicit rate subsidy calculation, and the net OPEB obligation for fiscal year ending June 30, 2010 was \$220,197.

Compensated Absences

Accumulated unpaid vacation time is accrued by the Town. Employees are required to use vacation time by June 30 of each year; however, employees may request to have his/her time extended by the Town Manager past June 30 to October 31 and a department head until December 31. The value of vacations accrued at June 30, 2010 is \$459,436.

At June 30, 2010, the Board of Education has accrued \$29,628 for sick, vacation, and separation pay.

The accrued vacation, sick, and separation pay amounts are reported in the government-wide statement of net assets. A liability is not reflected in the General Fund because it is not anticipated that current resources will be utilized to fund the accrued benefits.

Self-insurance

The Town maintains two self-insurance funds, the General Insurance Fund and the Medical and Health Insurance Fund. The General Insurance Fund receives funds from various funds and departments. The funds are used to purchase insurance and provide ancillary services for the administration of this fund and accumulate reserves, which otherwise would be retained by an insurance company. Claims have not exceeded insurance coverage in any of the past three years. Workers' Compensation coverage, which makes up the largest component of the general insurance needs of the Town, is provided by risk insurance coverage. The Town examines the coverage and has an actuarial study conducted periodically.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self-insurance fund is not subject to this tax. An actuarial study is made annually. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. These liabilities amounted to \$460,574 in the Medical and Health Insurance Fund at June 30, 2010.

Enterprise Fund

The Town maintains an enterprise fund, which is intended to be self-supporting through user fees charged to their customers. As of June 30, 2010, the net income after transfers for the Water and Sewer Fund was \$541,814.

Investment Practices

The Town Charter and 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 Treasury Bills, Government Agency Bonds, certificates of deposit, repurchase agreements (collateralized by U.S. Government securities), the State of Connecticut Short Term Investment Fund, MBIA Cooperative Liquid Assets Security Systems 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) various certificates of deposit with Connecticut banks, (2) the State of Connecticut Short Term Investment Fund, (3) the State of Connecticut Tax Exempt Proceeds Fund, and (4) MBIA Cooperative Liquid Assets Security System, an investment fund managed by MBIA Municipal Service Corporation, which, according to MBIA, invests only in i) high-grade short-term federal securities and variable-rate

obligations backed by Federal agencies having monthly or quarterly resets based on indices like the prime rate, LIBOR, or a combination of the two, and ii) very short-term (usually overnight) repurchase agreements secured by high-quality collateral which is valued daily and fully delivered to the program's custodial bank to be held for the benefit of the pool's participants.

The Pension Trust Fund operates under a trust agreement, and investments are allowed in fixed-income securities; e.g., notes, bills, bonds and insurance contracts. Investments in the Deferred Compensation Plan held by ICMA are in various mutual funds.

SECTION VI - ADDITIONAL INFORMATION

Litigation

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

Availability of Continuing Information

The Town 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 on an annual basis. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into Continuing Disclosure Agreements with respect to the Bonds and Notes, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreements"). The winning bidders' obligation to purchase the Bonds and Notes shall be conditioned upon their receiving, at or prior to the delivery of the Bonds and Notes, an executed copy of the respective Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to the Rule. To date, the Town has not failed to meet any of its undertakings under such agreements.

Documents to Be Furnished at Closing

The original purchasers will be furnished, subject to delivery of reoffering yield information as requested in the Notice of Sale, the following documents when the Bonds and Notes 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 Notes or the levy or collection of taxes to pay them.
2. A confirmed copy of the Official Statement prepared for the Bonds and Notes and a certificate on behalf of the Town signed by the Mayor, the Town Manager, the Treasurer, and the Finance Director, which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that at the time bids on the Bonds and Notes were accepted, the description and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. Receipts for the purchase price of the Bonds and Notes.
4. The approving opinions of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. See Appendix B - "Forms of Opinion of Bond Counsel and Tax Exemption" herein.
5. Executed Continuing Disclosure Agreements for the Bonds and Notes in substantially the form attached as Appendix C to this Official Statement.
6. Within seven business days after the bid opening, the Town will furnish the original purchaser of the Bonds 50 copies and the original purchaser of the Notes 15 copies of the Official Statement as

prepared by the Town. Additional copies and/or the printing of underwriting information may be obtained by the original purchasers at their own expense by arrangement with the printer. The copies of the Official Statement will be made available to the winning bidders no later than seven business days after the bid opening at the office of the Town's financial advisor. If the Town's financial advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

A record of the proceedings taken by the Town in authorizing the Bonds and Notes will be kept on file at the offices of U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut and may be examined upon reasonable request.

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Bonds and Notes by the Town and may not be reproduced or used in whole or in part for any other purpose.

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 did 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 Berlin, Connecticut

By _____
Adam P. Salina
Mayor

By _____
Denise M. McNair
Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
James Wren, Jr.
Finance Director

Dated _____, 2011

APPENDIX A - AUDITOR'S SECTION



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Town Council
Town of Berlin, Connecticut

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010 on our consideration of the Town of Berlin, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 and the budgetary comparison information on pages 45 through 53 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Blum, Shapiro & Company, P.C.

December 1, 2010

TOWN OF BERLIN, CONNECTICUT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

This discussion and analysis of the Town of Berlin, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2010. Please read this Management Discussion and Analysis ("MD&A") in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

FINANCIAL HIGHLIGHTS

- The Town's net assets increased as a result of this year's operations. Net assets of our governmental activities increased by \$307, or .4%, and net assets of our business-type activities increased by \$542, or 4.1%.
- During the year, the Town had expenses that were \$306 less than the \$72,646 generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues decreased by 6% to \$3,045 and expenses decreased by \$84 or 3.4%.
- Total cost of all of the Town's programs decreased by .6% to \$74,843 with no new programs added this year.
- The General Fund reported a fund balance this year of \$8,780, a reduction of \$420 or 4.5% from the previous year.
- Expenditures were kept within spending limits.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

In the statement of net assets and the statement of activities, we divide the Town into two types of activities:

- *Governmental activities* – Most of the Town’s basic services are reported here, including education, public safety, community development, physical services, parks, recreation and libraries, health and human services, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business - type activities* – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town’s Water and Sewer Enterprise Fund is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by Charter. However, the Town Council establishes many other funds to help control and manage financial activities for particular purposes (such as the Water Fund, Sewer Fund and Mobile Home Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as grants received from the State of Connecticut or the federal government). The Town’s funds are divided into three categories; governmental, proprietary and fiduciary.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from \$88,781 to \$89,630. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 29,305	\$ 24,308	\$ 3,923	\$ 3,271	\$ 33,228	\$ 27,579
Capital assets, net of accumulated depreciation	74,214	72,689	9,775	9,857	83,989	82,546
Total assets	<u>103,519</u>	<u>96,997</u>	<u>13,698</u>	<u>13,128</u>	<u>117,217</u>	<u>110,125</u>
Long-term debt outstanding	13,892	6,931			13,892	6,931
Other liabilities	13,625	14,371	70	42	13,695	14,413
Total liabilities	<u>27,517</u>	<u>21,302</u>	<u>70</u>	<u>42</u>	<u>27,587</u>	<u>21,344</u>
Net Assets:						
Invested in capital assets, net of related debt	56,766	56,546	9,775	9,857	66,541	66,403
Restricted	154	152			154	152
Unrestricted	<u>19,082</u>	<u>18,997</u>	<u>3,853</u>	<u>3,229</u>	<u>22,935</u>	<u>22,226</u>
Total Net Assets	<u>\$ 76,002</u>	<u>\$ 75,695</u>	<u>\$ 13,628</u>	<u>\$ 13,086</u>	<u>\$ 89,630</u>	<u>\$ 88,781</u>

Net assets of the Town's governmental activities increased by .4%. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$18,997 at June 30, 2009 to \$19,082 at the end of this year.

In general, the Town was able to achieve a slight increase in governmental net assets in 2010 due to successful expenditure control to keep pace with declining revenues during the difficult economic times experienced over the past year and expected to continue into the future. For example, authorized General Fund appropriations of approximately \$1.9 million remained unspent at year end. This expense management includes such practices as improving operational efficiencies, not hiring any new staff and prohibiting out-of-state travel for conferences. This expense management has assisted in offsetting continued revenue declines in charges for services and unrestricted investment earnings. The decline in most operating grants from the State of Connecticut in 2010 was offset by grants from the American Recovery and Reinvestment Act ("ARRA"), which helped maintain current levels of Education Cost Sharing funding and also provided grants for roadway capital improvements and energy efficiency projects. In addition, the Town was able to maintain a strong tax collection percentage of approximately 98% despite the difficult economy.

Table 2
Changes In Net Assets
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,177	\$ 5,248	\$ 3,023	\$ 3,178	\$ 8,200	\$ 8,426
Operating grants and contributions	11,942	11,531			11,942	11,531
Capital grants and contributions	2,113	471			2,113	471
General revenues:						
Property taxes	51,557	51,146			51,557	51,146
Grants and contributions not restricted to specific programs	1,024	1,225			1,024	1,225
Unrestricted investment earnings	285	939	22	49	307	988
Other general revenues	548	261			548	261
Total revenues	<u>72,646</u>	<u>70,821</u>	<u>3,045</u>	<u>3,227</u>	<u>75,691</u>	<u>74,048</u>
Program expenses:						
General government	3,619	4,622			3,619	4,622
Community development	887	839			887	839
Public safety	6,984	7,098			6,984	7,098
Physical services	8,263	8,430			8,263	8,430
Parks, recreation and libraries	4,403	4,847			4,403	4,847
Health and human services	2,172	2,227			2,172	2,227
Schools	45,541	44,321			45,541	44,321
Interest on long-term debt	604	451			604	451
Water			1,123	1,248	1,123	1,248
Sewers			1,247	1,206	1,247	1,206
Total program expenses	<u>72,473</u>	<u>72,835</u>	<u>2,370</u>	<u>2,454</u>	<u>74,843</u>	<u>75,289</u>
Excess (deficiency) before transfers	173	(2,014)	675	773	848	(1,241)
Transfers	<u>133</u>	<u>37</u>	<u>(133)</u>	<u>(37)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in Net Assets	<u>\$ 306</u>	<u>\$ (1,977)</u>	<u>\$ 542</u>	<u>\$ 736</u>	<u>\$ 848</u>	<u>\$ (1,241)</u>

The Town's total revenues (governmental and business-type) were \$75,691. The total cost of all programs and services (governmental and business-type) was \$74,843. The analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The largest source of revenues were derived from property taxes at 71%, followed by 16.4% from operating grants and contributions, then 7.1% from charges for services. Major revenue factors include:

- Property tax revenues recorded for fiscal year 2010 reflect a tax rate of 22.69 mills, the same mill rate as used in the previous fiscal year. The tax collection rate was slightly lower than the prior year at 98% vs. 98.2% but still remained relatively strong considering the difficult economy. The Grand List continues to increase slightly, though much less than in previous fiscal years.
- Unrestricted governmental investment earnings decreased from \$939 in the prior fiscal year to \$285, or 70%. The decrease in investment earnings is the result of the Federal Reserve's continuation of the low interest rate monetary policy.

- Combined revenue from capital and operating grants and contributions increased from the prior fiscal year by \$2,053 or 17.1 %. Though nearly all operational grants from the State of Connecticut declined this fiscal year, the State used \$880 federal stimulus money to maintain Education Cost Sharing (“ECS”) at levels comparable to the prior year; without these funds, operating grants and contributions would have decreased 4.1% from the prior year. Capital grants and contributions increased \$1,642 mainly due to federal stimulus grants of \$602 under the American Recovery and Reinvestment Act (“ARRA”) for road work and energy efficiency projects, school construction grants for the Griswold relocatables project and “contributed” capital assets of \$934 (which is primarily due to land and building obtained through foreclosure).
- In the Capital Projects and Highway Funds, \$3.8 million was expended for asset acquisition and improvements, most notably for roadway improvements; economic development initiatives such as the start of construction of Berlin Veterans Memorial Park and improvements to the AMTRAK train station; relocatable classrooms at Griswold Elementary School; and the first stages of a major air quality project at McGee School. These capital expenses were funded through a combination of intergovernmental grants (including federal grants), transfers from the general fund, general obligation bonds (with and \$8,195 bond issuance in September 2009) and bond anticipation note proceeds.

For governmental activities, 62.8% of the Town’s expenses are for education, 11.4 % for physical services, 9.6% for public safety, 6.1% for parks and recreation and libraries, and 5% for general government.

Major expense factors include:

- As mentioned previously, the Town employed various cost control methods to lower expenses in fiscal year 2010.
- There were increases in employee wages as a result of negotiated step and general wage increases. However, staffing levels were held consistent with prior years and some wage and benefits concessions were obtained to manage personnel costs.
- Employee benefit costs were well-managed due to one-time concessions on the Town’s pension matching contribution as well as continued positive experience on the Town’s self-insured health plan. The Town is in process of making the health insurance program consistent among most employees and steadily increasing the employee cost-share through bargaining unit negotiation.
- The cost of education services increased, due mainly to contractual wage obligations and employee health benefits.
- Debt service costs have declined due to the low interest rates obtained on bonds and bond anticipation notes as well as a refunding bond issue to reduce interest cost on existing debt.

Table 3 presents the cost of each of the Town’s five largest programs – general government; public safety; physical services; parks, recreation and library; and schools – as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

Table 3
Governmental Activities
(in thousands)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General government	\$ 3,619	\$ 4,622	\$ 2,645	\$ 3,927
Public safety	6,984	7,098	6,368	6,577
Physical services	8,263	8,430	6,334	7,717
Parks, recreation and library	4,402	4,847	3,123	3,540
Schools	45,541	44,321	32,813	32,202

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 5.6 % (\$3,045 in 2010 compared to \$3,227 in 2009) and expenses decreased by 3.4%. The major factors contributing to the decrease in revenues is an accounting adjustment related to the accrual of billing for services as well as higher than expected precipitation levels during the fiscal year which led to a decline in water usage. This decline in consumption also led to a corresponding reduction in expenditures, primarily for purchased water.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$8,475, which is a significant increase from last year's total of \$2,914. This increase is due primarily to the cost control activities described above as well as the issuance of \$8,195 general obligation bonds in September 2009 which eliminated the deficit in the Highway Fund and substantially reduced the deficit in the Capital Projects Fund. These increases are partially offset by decreases in investment income, operational grants and charges for services due to the adverse economic conditions.

Included in this year's total change in fund balance is a decrease of \$420 in the Town's General Fund. The primary reason for the General Fund's decrease is revenue shortfalls particularly in investment income, charges for services and grant revenues. It should also be noted that the Town designated \$2,000 in fund balance to be used during fiscal year 2010, so the use of \$420 is significantly better than expected due to cost containment efforts.

In the remaining nonmajor governmental funds, the combined fund balances increased from \$59 in fiscal year 2009 to \$1,316 in 2010, primarily due to the September 2009 bond issuance.

Proprietary Funds

As the Town completed the year, its business-type proprietary funds (as presented in the balance sheet – Exhibit V) reported combined net assets of \$13,628, which is an increase of \$542 from the previous year's total of \$13,086. There were no rate increases during fiscal year 2010. The increase in net assets is primarily due to cost containment.

In the internal service funds, the self-insurance funds experienced a combined increase in net assets of \$296. Net assets in the Medical and Health Insurance fund increased \$924 primarily due to continued favorable claims experience. This increase was partially offset by a decrease of \$628 in the General Insurance Fund which is primarily due to an assessment of \$421 by the bankrupt Municipal Interlocal Risk Management Association ("MIRMA") which previously provided workers compensation coverage for the Town. Please refer to Note 10 for further explanation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the Town had \$83,989 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines – Table 4. This amount represents a net increase (including additions and deductions) of \$1,443, or 1.7%, over last year.

Table 4
Capital Assets at Year-end (Net of Depreciation)
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 20,389	\$ 20,041	\$ 993	\$ 993	\$ 21,382	\$ 21,034
Land improvements	2,571	2,439			2,571	2,439
Buildings and improvements	25,349	24,883	658	716	26,006	25,599
Equipment	3,764	3,267	6,844	7,000	10,608	10,267
Construction in progress	2,122	2,021	1,188	1,048	3,310	3,069
Infrastructure	20,020	20,038	92	100	20,111	20,138
Totals	\$ 74,214	\$ 72,689	\$ 9,775	\$ 9,857	\$ 83,988	\$ 82,546

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

Street improvements (including Episcopal Road)	\$967
Land/building acquisition/ improvements	920
Griswold School Relocatables	787
Fire Truck	458
McGee School Air Quality	311
Animal Control Facility	79

The Town's fiscal-year 2010-11 capital budget calls for it to spend another \$732 for capital projects funded in the General Fund operating budget, principally for renovation to buildings (especially schools), various tools and equipment, trucks, vans and vehicles. Bond anticipation notes of \$9.97 million were outstanding at June 30, 2010 for the following projects: Land Acquisition (including Pistol Creek purchase), McGee School Air Quality, Beckley Road Bridge Improvements, Sherwood Property Remediation and Material Storage Yard. More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-term Debt

At June 30, 2010, the Town had \$13,260 in bonds outstanding versus \$6,330 last year – an increase of \$6,930. The increase was the result of the Town's issuance of \$8,195 in general obligation bonds in September 2009 for various projects including roof, boiler and track projects at Berlin High School, road improvements, technology upgrades and relocatable classrooms at Griswold School. The increase was partially offset by the Town's debt repayment schedule. The Town maintains a 3-year Capital Improvement Plan as well as a Debt Issuance Plan to determine projects that need to be completed and the funding for such projects. In addition, the Town issued general obligation refunding bonds of \$4,645 in April 2010 in order to reduce interest costs. This refunding generated a net present value savings of \$194.

The Town's general obligation bond rating is Aa2 with Moody's Investor Services (an upgrade from Aa3 the previous year) and AA with Standard and Poor's Rating Services.

The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below the \$366,898 state-imposed limit.

Other long-term obligations include accrued compensated absences (vacation pay and sick leave), a net pension obligation and a liability for other post-employment benefits. More detailed information about these long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year budget 2010-2011, General Fund appropriations total \$67,843. This is an increase of approximately 2% over 2009-2010 and resulted in a tax mill rate increase of .96 to 23.65 mills. The General Fund budget includes \$1,300 (a decrease from \$2,000 in the previous year) of designated General Fund fund balance in order to mitigate the tax increase needed.

For the business-type activities, the Town, in conjunction with the Water Control Commission has set related fees to offset the cost of operations.

The Town's elected and appointed officials considered many factors when establishing the tax mill rate and business-type fees for the 2010-11 fiscal year. The Town desires a stable level of service delivery and adopted a mill rate that reflects stable service delivery. The adverse economic conditions obviously have a large impact on the budget process. The Town was fortunate to continue to see slight growth (1.4%) in the Grand List for fiscal year 2010-11; however, this will be difficult to sustain if the adverse conditions continue. It is expected that future Grand List increases, if any, will be difficult to match with salary and benefit (particularly health benefit) increases directly or indirectly affected by binding arbitration.

In addition, the Town faces the challenge of dealing with the budget instability occurring at the State level. Since approximately 16% of General Fund revenues are generated from operational grants, this is a significant concern for the Town. As the new governor and legislature attempt to address the State's budget deficit (particularly in light of the end of federal stimulus funds provided in 2010 and 2011), there is a significant possibility of a large reduction in the level of support the Town receives from the State. A large reduction in State assistance would have to be addressed through tax increases or service reductions. Local and state officials will have to work together to address this problem.

Overall, financial results were on or slightly above plan for fiscal year 2010 due to successful expense management efforts as well as available federal stimulus funds. Over the previous years, the Town has maintained a relatively strong level of General Fund fund balance which has assisted the Town in dealing with the unfavorable economic climate while keeping tax increases relatively low (Berlin currently has the 7th lowest historical mill rate increase of the 169 cities and towns in Connecticut). The current statewide and national economic downturns have resulted in lower investment returns as well as decreases in state funding; these issues coupled with the end of federal stimulus funding will be a significant challenge for the Town's management and elected officials for the next several budget years.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, 240 Kensington Road, Town of Berlin, Connecticut 06037.

Basic Financial Statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 26,200,695	\$ 2,705,029	\$ 28,905,724
Receivables, net	3,055,460	1,171,057	4,226,517
Internal balances	18,682	(18,682)	-
Inventory	30,418		30,418
Capital assets not subject to depreciation	22,510,693	2,181,014	24,691,707
Capital assets - depreciable, net of accumulated depreciation	51,702,915	7,593,766	59,296,681
Other		65,827	65,827
Total assets	<u>103,518,863</u>	<u>13,698,011</u>	<u>117,216,874</u>
Liabilities:			
Accounts and other payables	2,665,158	70,064	2,735,222
Unearned revenue	990,065		990,065
Bond anticipation notes	9,970,000		9,970,000
Noncurrent liabilities:			
Due within one year	1,524,064		1,524,064
Due in more than one year	12,367,546		12,367,546
Total liabilities	<u>27,516,833</u>	<u>70,064</u>	<u>27,586,897</u>
Net Assets:			
Invested in capital assets, net of related debt	56,765,965	9,774,780	66,540,745
Restricted for:			
Trust purposes:			
Expendable	39,719		39,719
Nonexpendable	114,691		114,691
Unrestricted	<u>19,081,655</u>	<u>3,853,167</u>	<u>22,934,822</u>
Total Net Assets	<u>\$ 76,002,030</u>	<u>\$ 13,627,947</u>	<u>\$ 89,629,977</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 3,619,079	\$ 901,805	\$ 72,015	\$	\$ (2,645,259)	\$	\$ (2,645,259)
Community development	886,822	6,056			(880,766)		(880,766)
Public safety	6,984,300	327,880	95,183	193,270	(6,367,967)		(6,367,967)
Physical services	8,262,981	306,116	45,140	1,578,069	(6,333,656)		(6,333,656)
Parks, recreation and libraries	4,402,401	1,269,759		10,000	(3,122,642)		(3,122,642)
Health and human services	2,172,130	1,616,125	83,002		(473,003)		(473,003)
Schools	45,540,917	749,505	11,646,437	331,964	(32,813,011)		(32,813,011)
Interest on long-term debt	604,382				(604,382)		(604,382)
Total governmental activities	<u>72,473,012</u>	<u>5,177,246</u>	<u>11,941,777</u>	<u>2,113,303</u>	<u>(53,240,686)</u>	<u>-</u>	<u>(53,240,686)</u>
Business-type activities:							
Water services	1,123,138	1,733,560				610,422	610,422
Sewer services	1,246,417	1,289,334				42,917	42,917
Total business-type activities	<u>2,369,555</u>	<u>3,022,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>653,339</u>	<u>653,339</u>
Total	<u>\$ 74,842,567</u>	<u>\$ 8,200,140</u>	<u>\$ 11,941,777</u>	<u>\$ 2,113,303</u>	<u>(53,240,686)</u>	<u>653,339</u>	<u>(52,587,347)</u>
General revenues:							
Property taxes					51,556,894	927	51,557,821
Grants and contributions not restricted to specific programs					1,024,352		1,024,352
Unrestricted investment earnings					284,541	20,983	305,524
Other					548,341		548,341
Transfers					133,435	(133,435)	-
Total general revenues and transfers					<u>53,547,563</u>	<u>(111,525)</u>	<u>53,436,038</u>
Change in net assets					306,877	541,814	848,691
Net Assets at Beginning of Year					<u>75,695,153</u>	<u>13,086,133</u>	<u>88,781,286</u>
Net Assets at End of Year					<u>\$ 76,002,030</u>	<u>\$ 13,627,947</u>	<u>\$ 89,629,977</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Highway</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 10,332,936	\$ 7,655,984	\$ 1,147,531	\$ 1,291,699	\$ 20,428,150
Receivables, net	2,576,606	13,000	434,766	31,088	3,055,460
Due from other funds	18,682				18,682
Inventories				30,418	30,418
Total Assets	<u>\$ 12,928,224</u>	<u>\$ 7,668,984</u>	<u>\$ 1,582,297</u>	<u>\$ 1,353,205</u>	<u>\$ 23,532,710</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 1,265,282	\$ 112,366	\$ 189,859	\$ 37,538	\$ 1,605,045
Taxes paid in advance	220,836				220,836
Deferred revenue	2,662,300	599,977			3,262,277
Bond anticipation notes		9,620,000	350,000		9,970,000
Total liabilities	<u>4,148,418</u>	<u>10,332,343</u>	<u>539,859</u>	<u>37,538</u>	<u>15,058,158</u>
Fund balances:					
Reserved		484,417		145,109	629,526
Unreserved, reported in:					
General Fund	8,779,806				8,779,806
Special Revenue Funds			1,042,438	1,130,839	2,173,277
Capital Project Funds		(3,147,776)			(3,147,776)
Permanent Funds				39,719	39,719
Total fund balances	<u>8,779,806</u>	<u>(2,663,359)</u>	<u>1,042,438</u>	<u>1,315,667</u>	<u>8,474,552</u>
Total Liabilities and Fund Balances	<u>\$ 12,928,224</u>	<u>\$ 7,668,984</u>	<u>\$ 1,582,297</u>	<u>\$ 1,353,205</u>	<u>\$ 23,532,710</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 8,474,552
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	\$ 137,851,368
Less accumulated depreciation	<u>(63,637,760)</u>
Net capital assets	74,213,608
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:	
Property tax receivables greater than 60 days	1,527,456
Interest receivable on property taxes	965,592
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.	4,891,258
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net OPEB obligation	(220,197)
Net pension obligation	(1,516)
Bonds payable	(13,260,000)
Interest payable on bonds and notes	(178,826)
Compensated absences	(489,064)
Deferred charges on refunding	<u>79,167</u>
Net Assets of Governmental Activities (Exhibit I)	<u>\$ 76,002,030</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Highway</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 51,226,824	\$	\$	\$	\$ 51,226,824
Intergovernmental	11,239,269	546,456	602,083	1,832,014	14,219,822
Charges for services	4,228,400	75,137		873,312	5,176,849
Income on investments	260,452	12,736	6,453	4,900	284,541
Miscellaneous	312,035	65,662		107,587	485,284
Total revenues	<u>67,266,980</u>	<u>699,991</u>	<u>608,536</u>	<u>2,817,813</u>	<u>71,393,320</u>
Expenditures:					
Current:					
General government	2,922,181			8,000	2,930,181
Community development	706,227			2,788	709,015
Public safety	6,943,284			540,360	7,483,644
Physical services	6,839,508		1,205,159	13,525	8,058,192
Parks, recreation and libraries	3,751,081			76,031	3,827,112
Health and human services	2,094,284			82,040	2,176,324
Schools	42,342,339			2,373,776	44,716,115
Debt service:					
Principal retirement	1,207,966				1,207,966
Interest and fiscal charges	370,268				370,268
Capital outlay		2,588,360			2,588,360
Total expenditures	<u>67,177,138</u>	<u>2,588,360</u>	<u>1,205,159</u>	<u>3,096,520</u>	<u>74,067,177</u>
Excess (Deficiency) of Revenues over Expenditures	<u>89,842</u>	<u>(1,888,369)</u>	<u>(596,623)</u>	<u>(278,707)</u>	<u>(2,673,857)</u>
Other Financing Sources (Uses):					
Transfers in	254,547	569,060		25,000	848,607
Transfers out	(594,060)	(65,000)		(56,112)	(715,172)
Proceeds from refunding bond issuance	4,645,000				4,645,000
Payments to escrow agents	(4,815,247)				(4,815,247)
Bond premiums		58,755	10,194	6,905	75,854
Issuance of bonds		4,332,000	2,303,000	1,560,000	8,195,000
Total other financing sources (uses)	<u>(509,760)</u>	<u>4,894,815</u>	<u>2,313,194</u>	<u>1,535,793</u>	<u>8,234,042</u>
Net Change in Fund Balances	(419,918)	3,006,446	1,716,571	1,257,086	5,560,185
Fund Balances at Beginning of Year	<u>9,199,724</u>	<u>(5,669,805)</u>	<u>(674,133)</u>	<u>58,581</u>	<u>2,914,367</u>
Fund Balances at End of Year	<u>\$ 8,779,806</u>	<u>\$ (2,663,359)</u>	<u>\$ 1,042,438</u>	<u>\$ 1,315,667</u>	<u>\$ 8,474,552</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2010

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 5,560,185
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	3,252,390
Depreciation expense	(2,647,330)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	934,500
The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets.	(15,126)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:	
School building grant receipts	(96,291)
Property tax receivable - accrual basis change	215,621
Property tax interest and lien revenue - accrual basis change	114,449
Change in pension and OPEB assets and liabilities	
Net OPEB expense	(102,197)
Net pension expense	(199,613)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:	
Bond principal payments	5,910,000
Issuance of bonds and notes	(8,195,000)
Refunding bonds issued	(4,645,000)
Deferred amount on refunding	95,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(6,516)
Accrued interest	(148,361)
Amortization of deferred amount on refunding	(15,833)
Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	<u>295,999</u>
Change in Net Assets of Governmental Activities (Exhibit II)	<u>\$ 306,877</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2010

	Business-Type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Fund
Assets:		
Current:		
Cash and cash equivalents	\$ 2,705,029	\$ 5,772,545
Accounts receivable	1,171,057	
Total current assets	<u>3,876,086</u>	<u>5,772,545</u>
Noncurrent:		
Capital assets, net	9,774,780	
Other	65,827	
Total noncurrent assets	<u>9,840,607</u>	<u>-</u>
Total assets	<u>13,716,693</u>	<u>5,772,545</u>
Liabilities:		
Current:		
Accounts and other payables	70,064	460,721
Due to other funds	18,682	
Due to MIRMA		157,712
Total current liabilities	<u>88,746</u>	<u>618,433</u>
Noncurrent:		
Due to MIRMA		<u>262,854</u>
Total liabilities	<u>88,746</u>	<u>881,287</u>
Net Assets:		
Invested in capital assets	9,774,780	
Unrestricted	<u>3,853,167</u>	<u>4,891,258</u>
Total Net Assets	<u>\$ 13,627,947</u>	<u>\$ 4,891,258</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Fund
Operating Revenues:		
Insurance proceeds	\$	\$ 148,144
Employee contributions		1,725,684
Charges for services	3,020,753	6,521,766
Other	2,141	
Total operating revenues	3,022,894	8,395,594
Operating Expenses:		
Administrative expense	58,462	833,391
Employee benefits	130,281	5,940,078
Insurance and benefits		932,234
MIRMA assessment		420,566
Purchase of water	467,363	
Source of supply	864,055	
Pumping expense	176,946	
Transmission and distribution	65,384	
Salaries - administrative and general	147,040	
Salaries - operating and maintenance	236,188	
Depreciation	223,836	
Total operating expenses	2,369,555	8,126,269
Operating Income	653,339	269,325
Nonoperating Revenue:		
Income on investments	20,983	26,674
Taxes	927	
Total nonoperating revenue	21,910	26,674
Income Before Transfers	675,249	295,999
Transfers Out	(133,435)	
Change in Net Assets	541,814	295,999
Net Assets at Beginning of Year	13,086,133	4,595,259
Net Assets at End of Year	\$ 13,627,947	\$ 4,891,258

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Business-Type Activities Water and Sewer Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities:		
Cash received from users	\$	\$ 8,247,450
Cash received from customers	2,898,847	
Cash payments to employees for services	(383,228)	
Cash payments to providers of benefits		(7,760,340)
Cash payments to suppliers for goods and services	(1,730,127)	
Cash received from others	2,141	148,144
Net cash provided by operating activities	<u>787,633</u>	<u>635,254</u>
Cash Flows from Noncapital Financing Activities:		
Transfers to other funds	(133,435)	
Cash received from tax collections	927	
Net cash used in noncapital financing activities	<u>(132,508)</u>	<u>-</u>
Cash Flows from Capital Financing Activities:		
Acquisition of capital assets	(141,456)	-
Cash Flows from Investing Activities:		
Income on investments	20,983	26,674
Net Increase in Cash and Cash Equivalents	534,652	661,928
Cash and Cash Equivalents at Beginning of Year	2,170,377	5,110,617
Cash and Cash Equivalents at End of Year	<u>\$ 2,705,029</u>	<u>\$ 5,772,545</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 653,339	\$ 269,325
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	223,836	
Change in assets and liabilities:		
Increase in accounts receivable	(121,906)	
Increase in due to MIRMA		420,566
Increase (decrease) in accounts payable	32,364	(54,637)
Net Cash Provided by Operating Activities	<u>\$ 787,633</u>	<u>\$ 635,254</u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2010

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 22,694	\$ 2,588,315
Mutual funds - equity securities	30,033,069	
	<u> </u>	<u> </u>
Total assets	<u>30,055,763</u>	<u>\$ 2,588,315</u>
Liabilities:		
Accounts payable	247	\$
Due to other		2,588,315
	<u> </u>	<u> </u>
Total liabilities	<u>247</u>	<u>\$ 2,588,315</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 30,055,516</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 1,427,813
Plan members	858,806
Total contributions	<u>2,286,619</u>
Investment income:	
Net appreciation in fair value of investments	1,265,302
Interest and dividends	452,615
Net investment income	<u>1,717,917</u>
Total additions	<u>4,004,536</u>
Deductions:	
Benefits	720,124
Administration	91,686
Total deductions	<u>811,810</u>
Net Increase	3,192,726
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>26,862,790</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u><u>\$ 30,055,516</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF BERLIN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1785 from parts of Farmington, Middletown and Wethersfield. Under the Town Charter, adopted November 4, 1973, and most recently amended November 5, 2002, the Town Council is the legislative body for specific purposes. The Town Manager serves as the Chief Executive Officer of the Town and acts as the liaison to the Town Council. The Town Council is responsible for establishing policy. Charter revision on November 8, 1994 replaced an Executive Board, Board of Finance/Town Meeting form of government with a Town Manager/Council form of government which took effect November 15, 1995.

The Town provides the following services as authorized by its Charter: general government, community development, public safety, water and sewer, physical services, parks, recreation and libraries, health and human services, and schools.

B. Government-Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the

year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Highway Fund is used to account for State of Connecticut grants and bond funds for improvements to Town roads.

The Town reports the following major proprietary funds:

The Water and Sewer Fund is used to account for the operations of the Water Control Commission which oversees the water and sewer services to a portion of the Town.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for self-insured activities of the Town.

The Pension Trust Fund accounts for the activities of the Town of Berlin Retirement System, which accumulates resources for pension benefit payments to qualified Town employees.

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

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

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

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

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

D. Deposits and Investments

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

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments are reported at fair value.

E. Receivables and Payables

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

Property taxes (receivable - taxes) are assessed as of October 1, levied after the adoption of the Town budget by referendum and become legally due and payable on July 1. Taxes are overdue on August 1 (or the closest business day thereafter), and interest is levied at a rate of 1-1/2% per month. Liens are placed on delinquent real estate taxes owed on June 30th. Liens will be placed sooner in cases where the Tax Collector deems the taxes to be in jeopardy.

An amount of \$141,197 has been established as an allowance for uncollectible taxes. At June 30, 2010, this represents 8.15% of all property taxes receivable.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Public domain infrastructure	25-50
System infrastructure	25-50
Vehicles	5-15
Office equipment	5-20
Computer equipment	5

H. Compensated Absences

Accumulated unpaid vacation time is accrued by the Town. Town employees are required to use vacation time by June 30 of each year; however, employees may request to have his time extended by the Town Manager past June 30 to October 31 and a department head until December 31. The value of vacations accrued at June 30, 2010 is \$459,436.

The Board of Education has \$29,628 accrued for sick, vacation and separation pay.

The liability is recorded in the government-wide statement of net assets. The General Fund is used to liquidate compensated absence liabilities.

I. Long-Term Obligations

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

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

J. Fund Equity

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is legally adopted for the General Fund. The budget is prepared on a modified accrual basis. The Town does not budget for revenue or expenditures related to the State of Connecticut pension contribution to the State Teachers' Retirement Fund on behalf of the Town which amounted to \$3,163,535. The contribution and expenditure, while not included in the budgetary reporting (RSI-1 and RSI-2), are included in Exhibit IV, which reports in accordance with GAAP.

In accordance with Section 7-3 of the Town Charter, the Town Council shall prepare and recommend the total Town budget for the annual public budget hearing to be held not later than the second Tuesday in April.

Annual Town Budget Referendum - The Annual Town Budget Referendum for the purpose of voting on the budget shall be held on the last Tuesday of April each year. Should the budget not be adopted by referendum vote, the budget shall be returned to the Council which shall further consider and adopt an annual Town budget for the ensuing fiscal year.

The Town Manager is authorized to make transfers within a department budget. However, the Town Manager is not able to hire additional staffing not authorized by Town Council. Also, transfers may not be made for major capital items specifically deleted by the Council. The Manager's authority is limited to \$5,000 for any single transfer.

The Town Council may at any time, appropriate funds from contingency. Town meeting approval is required for transfers exceeding \$25,000 individually or exceeding \$250,000 accumulative annually. The Town Council may transfer funds from budget appropriations only in the last three months of the fiscal year. There were \$59,285 of supplemental appropriations during the year. All appropriations were approved in accordance with Charter provisions.

The revised annual Town budget, including amendments, is reported herein. At the end of the fiscal year, unexpended General Fund appropriations lapse.

Special revenue funds do not have a legally adopted annual budget. Appropriations for the Capital Projects Funds do not lapse at the end of the fiscal year, but continue until the completion of the project.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. To the extent possible, the Town's current practice is to close out purchase orders at June 30.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

A. Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town’s deposit policy for custodial credit risk requires pre-qualification of institutions with which the Town does business. The pre-qualification requirements include, but are not limited to, proof of creditworthiness, five years or more of operations, evidence of adequate insurance coverage, proof of state registration, and proof of compliance with state and federal capital adequacy guidelines. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut or up to the FDIC limit in out-of-state banks.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$27,126,800 of the Town’s bank balance of \$28,873,794 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 24,289,120
Collateralized, held by banks	<u>2,837,680</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 27,126,800</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2010 the Town’s cash equivalents amounted to \$4,680,765. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor’s</u>
State Tax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm
Cutwater - Cooperative Liquid Assets Securities System (CLASS)	AAAm

*Not rated

B. Investments

Investments as of June 30, 2010 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Pooled open-end mutual fund accounts:	
Pension trust funds	\$ <u>30,033,069</u>

Interest Rate Risk - The Town limits their maximum final stated maturities to five years, unless specific authority is given to exceed. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Town has no policy limiting an investment in any one issuer that is in excess of 5% of the Town’s total investments.

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

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Highway</u>	<u>Water and Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Interest	\$ 965,592	\$	\$	\$	\$	\$ 965,592
Taxes	1,731,850					1,731,850
Accounts	20,361	13,000		1,171,057	6,799	1,211,217
Intergovernmental			434,766		24,289	459,055
Gross receivables	<u>2,717,803</u>	<u>13,000</u>	<u>434,766</u>	<u>1,171,057</u>	<u>31,088</u>	<u>4,367,714</u>
Less allowance for uncollectibles	<u>(141,197)</u>					<u>(141,197)</u>
Net Total Receivables	<u>\$ 2,576,606</u>	<u>\$ 13,000</u>	<u>\$ 434,766</u>	<u>\$ 1,171,057</u>	<u>\$ 31,088</u>	<u>\$ 4,226,517</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Taxes collected in advance	\$	\$ 220,836	\$ 220,836
Delinquent property taxes receivable	1,527,456		1,527,456
Accrued interest on property taxes	965,592		965,592
Grant drawdowns		599,977	599,977
Other unearned amounts		<u>169,252</u>	<u>169,252</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,493,048</u>	<u>\$ 990,065</u>	<u>\$ 3,483,113</u>

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 20,040,587	\$ -	\$ 348,400	\$ -	\$ 20,388,987
Construction in progress	<u>2,021,401</u>	<u>(1,146,242)</u>	<u>1,246,547</u>	<u>-</u>	<u>2,121,706</u>
Total capital assets not being depreciated	<u>22,061,988</u>	<u>(1,146,242)</u>	<u>1,594,947</u>	<u>-</u>	<u>22,510,693</u>
Capital assets being depreciated:					
Land improvements	3,712,690	411,201	-	-	4,123,891
Buildings	49,817,856	735,041	585,100	-	51,137,997
Machinery and equipment	11,426,481	-	967,262	459,009	11,934,734
Infrastructure	<u>47,104,472</u>	<u>-</u>	<u>1,039,581</u>	<u>-</u>	<u>48,144,053</u>
Total capital assets being depreciated	<u>112,061,499</u>	<u>1,146,242</u>	<u>2,591,943</u>	<u>459,009</u>	<u>115,340,675</u>
Less accumulated depreciation for:					
Land improvements	1,273,305	-	279,263	-	1,552,568
Buildings	24,935,147	-	854,292	-	25,789,439
Machinery and equipment	8,159,049	-	456,052	443,883	8,171,218
Infrastructure	<u>27,066,812</u>	<u>-</u>	<u>1,057,723</u>	<u>-</u>	<u>28,124,535</u>
Total accumulated depreciation	<u>61,434,313</u>	<u>-</u>	<u>2,647,330</u>	<u>443,883</u>	<u>63,637,760</u>
Total capital assets being depreciated, net	<u>50,627,186</u>	<u>1,146,242</u>	<u>(55,387)</u>	<u>15,126</u>	<u>51,702,915</u>
Governmental Activities Capital Assets, Net	<u>\$ 72,689,174</u>	<u>\$ -</u>	<u>\$ 1,539,560</u>	<u>\$ 15,126</u>	<u>\$ 74,213,608</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 993,100	\$	\$	\$ 993,100
Construction in progress	1,048,153	139,761		1,187,914
Total capital assets not being depreciated	<u>2,041,253</u>	<u>139,761</u>	<u>-</u>	<u>2,181,014</u>
Capital assets being depreciated:				
Buildings	1,977,764			1,977,764
Machinery and equipment	11,686,218			11,686,218
Infrastructure	524,391	1,695		526,086
Total capital assets being depreciated	<u>14,188,373</u>	<u>1,695</u>	<u>-</u>	<u>14,190,068</u>
Less accumulated depreciation for:				
Buildings	1,262,655	57,340		1,319,995
Machinery and equipment	4,685,743	156,382		4,842,125
Infrastructure	424,068	10,114		434,182
Total accumulated depreciation	<u>6,372,466</u>	<u>223,836</u>	<u>-</u>	<u>6,596,302</u>
Total capital assets being depreciated, net	<u>7,815,907</u>	<u>(222,141)</u>	<u>-</u>	<u>7,593,766</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,857,160</u>	<u>\$ (82,380)</u>	<u>\$ -</u>	<u>\$ 9,774,780</u>

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

Governmental activities:	
General government	\$ 93,204
Public safety	200,812
Physical services	1,164,805
Parks, recreation and libraries	412,000
Health and human services	21,655
Schools	<u>754,854</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,647,330</u>
Business-type activities:	
Water services	\$ 94,821
Sewer services	<u>129,015</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 223,836</u>

Construction Commitments

The Town has active construction projects as of June 30, 2010. The projects include the following:

<u>Project</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Balance</u>
McGee School Air Quality	\$ 6,950,000	\$ 310,756	\$ 369,320	\$ 6,269,924
Bonded Road Improvements	3,109,449	2,578,718		530,731
Griswold School Relocatables	1,000,000	786,985	58,793	154,222
Episcopal Road Improvements	725,000	434,766		290,234
Town Center Public Improvement/Streetscape	775,000	625,000		150,000
Veterans Memorial Park	604,500			604,500
Worthington Meeting House Renovations	610,000	578,580		31,420
Beckley Road Bridge Replacement	500,000			500,000
Town Hall Chiller/Cooling Tower Replacement	340,000			340,000
Train Station Rehabilitation*	400,000	22,332		377,668
Streetscape Projects	400,000	65,000		335,000
Sage Park Maintenance	200,000			200,000
Building Energy Efficiency and Conservation	83,647	24,080		59,567
Block Grant (EECBG) Projects				

* Appropriation is for local match part of project (funded by state grants) which represents 20% of the project costs. The Federal Government is paying the remaining 80%.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water and Sewer Enterprise Fund	\$ 18,682
Total		\$ 18,682

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General Fund	\$	\$ 569,060	\$ 25,000	\$ 594,060
Capital Projects	65,000			65,000
Nonmajor Governmental Funds	56,112			56,112
Water and Sewer Fund	133,435			133,435
Total Transfers Out	\$ 254,547	\$ 569,060	\$ 25,000	\$ 848,607

Transfers are for regularly recurring operational transfers that are appropriated in the General Fund and paid to other funds during the year.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and loans payable:					
General obligation bonds	\$ 6,330,000	\$ 12,840,000	\$ 5,910,000	\$ 13,260,000	\$ 1,035,000
Less deferred amounts on refunding		(95,000)	(15,833)	(79,167)	
	<u>6,330,000</u>	<u>12,745,000</u>	<u>5,894,167</u>	<u>13,180,833</u>	<u>1,035,000</u>
Other liabilities:					
Compensated absences	482,548	30,643	24,127	489,064	489,064
Net pension obligation		1,516		1,516	
Net opeb obligation	<u>118,000</u>	<u>102,197</u>		<u>220,197</u>	
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 6,930,548</u>	<u>\$ 12,879,356</u>	<u>\$ 5,918,294</u>	<u>\$ 13,891,610</u>	<u>\$ 1,524,064</u>

The annual requirements to amortize all bonds outstanding as of June 30, 2010, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Debt Service, Annual Requirements</u>		
	<u>Long-Term Debt</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,035,000	\$ 363,291	\$ 1,398,291
2012	1,620,000	334,700	1,954,700
2013	1,690,000	287,675	1,977,675
2014	1,690,000	234,150	1,924,150
2015	1,015,000	193,088	1,208,088
2016-2020	4,660,000	578,382	5,238,382
2021-2025	<u>1,550,000</u>	<u>131,093</u>	<u>1,681,093</u>
Total	<u>\$ 13,260,000</u>	<u>\$ 2,122,379</u>	<u>\$ 15,382,379</u>

Outstanding debt by issue is as follows:

	<u>Issue</u>	<u>Original Amount</u>	<u>Year of Maturity</u>	<u>Interest Rate %</u>	<u>Balance June 30, 2010</u>
General Purpose	Oct-05	\$ 4,560,000	2011	3.25	\$ 420,000
General Purpose	Sep-09	8,195,000	2016	2.0-3.625	8,195,000
Refunding	Apr-10	4,645,000	2025	2.0-4.0	<u>4,645,000</u>
Total Outstanding					<u>\$ 13,260,000</u>

The Town currently has authorized the issuance of \$22.9 million of bonds for various projects. Bond anticipation notes of \$9.97 million are outstanding on these authorizations.

Refunding of Debt

On April 15, 2010, the Town issued \$4,645,000 in general obligation refunding bonds with an average interest rate of 3.28% to refund outstanding bonds with an average interest rate of 3.56%. The bonds refunded were as follows: \$2,660,000 of outstanding 2004 general obligation bonds and \$2,080,000 of outstanding 2005 general obligation bonds. The net proceeds of \$4,815,247 (after payment of \$91,044) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of non-callable direct obligations, or obligations guaranteed by the United States of America, to provide all future debt service payments on the refunded bonds; therefore, the trust account assets are not included in the Town's financial statements. The refunded bonds are considered defeased, and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$218,390 and a present value savings of \$194,009.

A summary of overlapping debt is presented below:

<u>Debt Outstanding</u>	<u>Total</u>	<u>Considered Overlapping</u>
Kensington Fire District	\$ <u>950,000</u>	\$ <u>950,000</u>

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

<u>Category</u>	<u>(In Thousands)</u>		
	<u>Debt Limit</u>	<u>Net Indebtedness*</u>	<u>Balance</u>
General purpose	\$ 117,932	\$ 26,237	\$ 91,695
Schools	235,863	9,913	225,950
Sewers	196,553	950	195,603
Urban renewal	170,346		170,346
Pension deficit	157,242		157,242

* Includes bonds authorized unissued and overlapping debt.

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$366,898.

Conduit Debt Obligations

To provide, for the purpose of assisting the acquisition, development, redevelopment or productive reuse of real property and the construction of improvements within the Municipality known as Legion Square, the Town has entered into an agreement with the Connecticut Development Authority. This agreement is an assignment of the incremental tax revenues of the Legion Square project for a period of time sufficient to retire a Note issued by the Connecticut Development Authority for the purpose of making a grant to the project. This Agreement represents a special obligation of the Town, payable solely from and secured by incremental tax revenues on the property. The agreement does not constitute a debt or pledge of the faith and credit of the Town, and accordingly has not been reported in the accompanying financial statements.

At June 30, 2010, the aggregate principal amount payable pursuant to the agreement was \$532,477.

8. LEASES

Operating Leases

The Town leases a fiber optic communications network under a noncancelable operating lease. The future minimum lease payments for these leases amount to \$16,800 per year, for the next 20 fiscal years, ending in 2028.

9. BOND ANTICIPATION NOTES

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2010:

<u>Project</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
Open Space	12/3/2008	9/2/2009	2.5	\$ 400,000	\$	\$ 400,000	\$ -
	9/2/2009	9/1/2010	1.25		330,000		330,000
Pistol Creek Land	12/3/2008	9/2/2009	2.5	5,625,000		5,625,000	-
	9/2/2009	9/1/2010	1.25		5,625,000		5,625,000
Land Acquisition	12/3/2008	9/2/2009	2.5	375,000		375,000	-
	9/2/2009	9/1/2010	1.25		375,000		375,000
BHS Roof/Boiler	12/3/2008	9/2/2009	2.5	837,000		837,000	-
Road Improvements	12/3/2008	9/2/2009	2.5	1,223,000		1,223,000	-
Fire Apparatus	12/3/2008	9/2/2009	2.5	1,495,000		1,495,000	-
Animal Shelter	12/3/2008	9/2/2009	2.5	420,000		420,000	-
Fire Truck	12/3/2008	9/2/2009	2.5	450,000		450,000	-
BHS Track Resurfacing	12/3/2008	9/2/2009	2.5	450,000		450,000	-
2008 Technology	12/3/2008	9/2/2009	2.5	220,000		220,000	-
McGee School Air Qual	6/10/2010	9/1/2010	0.5		3,000,000		3,000,000
Beckley Rd Bridge	6/10/2010	9/1/2010	0.5		350,000		350,000
Sherwood Prop Remed	6/10/2010	9/1/2010	0.5		275,000		275,000
Material Storage Yard	6/10/2010	9/1/2010	0.5		15,000		15,000
				<u>\$ 11,495,000</u>	<u>9,970,000</u>	<u>\$ 11,495,000</u>	<u>\$ 9,970,000</u>

The notes are reported in the Capital Projects fund (\$9,620,000) and the Highway fund (\$350,000) and will be retired or permanently financed in the future.

10. RISK MANAGEMENT

The Town maintains two self insurance funds, the General Insurance Fund and the Medical and Health Insurance Fund (Internal Service Funds).

The General Insurance Fund receives funds from various funds and departments. The fund purchases insurance and provides ancillary services for the administration of this fund and accumulates reserves. Claims have not exceeded insurance coverage in any of the past three years. Worker's Compensation coverage, which makes up the largest component of the general insurance needs is provided by insurance through the Connecticut Interlocal Risk Management Association. The Town examines the coverage and has an actuarial study conducted periodically.

The Medical and Health Insurance Fund also receives funds from various funds and departments. The funds are used to purchase medical and health insurance and provide ancillary services. This fund is used to pay claims and administrative fees directly to Anthem Blue Cross/Blue Shield. The Town does not have to pay the State insurance premium tax to the State, since a self insurance fund is not subject to this tax. An actuarial study is made annually. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have

been incurred but not reported. These liabilities amounted to \$460,574 in the Medical and Health Insurance Fund at June 30, 2010. The following table reflects the activity of the past two years:

	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2008-2009	\$ 556,412	\$ 5,239,625	\$ 5,294,604	\$ 501,433
2009-2010	501,433	5,018,930	5,980,937	460,574

The Town of Berlin had previously been involved with the Municipal Interlocal Risk Management Assoc. (MIRMA) for workers compensation coverage. During the year ended June 30, 2010, MIRMA filed for bankruptcy protection and levied an additional assessment on all member towns to fulfill the lookback requirements. An amount of \$420,566 has been recorded in the internal service fund for this liability. The Town has entered into legal proceedings, along with other member towns, to dispute the additional assessment.

11. FUND BALANCE - RESERVATIONS/DESIGNATIONS

Descriptions of the various reservations of the Town's governmental funds' fund balance accounts are as follows:

Reserved for Inventory - to segregate a portion of fund balance equal to the inventory.

Reserved for Encumbrances - to segregate a portion of fund balance for expenditure upon vendor performance.

Reserved -Trust Purposes - to segregate a portion of fund balance which is nonexpendable.

A summary of reserved fund balances at June 30, 2010 is presented below:

Capital Projects Funds:	
Reserved for Encumbrances	\$ 484,417
Special Revenue Funds:	
Reserved for Inventory	30,418
Permanent Funds:	
Reserved Trust Principal	<u>114,691</u>
Total Governmental Funds	<u>\$ 629,526</u>

The Town has designated \$1,300,000 of the General Fund fund balance to balance the 2010-11 budget.

12. JOINTLY GOVERNED ORGANIZATION

The Mattabassett District

The Mattabassett District is a quasi-municipal district established in accordance with State statutes to provide sewer treatment services for the Towns of Berlin, Cromwell and the City of New Britain. A twelve person Board of Directors is appointed by the member towns with New Britain appointing the majority of members (7); Berlin appoints three members and Cromwell appoints two members. The Board of Directors is responsible for hiring, firing, purchasing, administration, budget adoption and fiscal operations. The District may issue bonds in its own name. The Mattabassett District levies its annual assessment, which the Town is obliged to pay. The Town is responsible for a pro-rata share of the debt, should The Mattabassett District default on its bonds and notes, although the obligation to pay these debts will remain with the Mattabassett District. The possibility of the Mattabassett District defaulting on its bond and note liabilities is remote. The Town has no direct interest in assets or liabilities of the District.

Currently the Mattabassett District is planning a major sewage plant upgrade for denitrification in order to meet the current regulatory discharge requirements. The two-year project is anticipated to begin in summer 2011 with a total anticipated cost of \$100 million. The cost of this project will impact the annual assessment of all of the member towns.

13. JOINT VENTURES

The Town is a participant in two joint ventures as described below:

Tunxis Recycling Operating Committee

The Town is a participant with 13 other cities and towns in a joint venture, the Tunxis Recycling Operating Committee (TROC). The TROC is responsible for the development, operations and management of a solid waste recycling program for all participating communities. The governing board consists of Town officials appointed by each of the participating municipalities and assumes all the management decisions. The Town of Berlin has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the intercommunity agreement dated as of June 21, 1990. Expenditures of \$60,724 were incurred in 2009-10 related to the Town's participation in TROC.

Unreserved, undesignated fund balance for fiscal year ended June 30, 2010 as reflected in the TROC's financial statements is \$1,123,940. A complete set of financial statements for TROC can be obtained from the TROC's administrative office at 43 Enterprise Drive, Bristol, Connecticut.

Bristol Resource Recovery Facility Operating Committee

The Town is a participant with 13 other cities and towns in a joint venture, the Bristol Resource Recovery Facility Operating Committee (BRRFOC). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities in dealing with the trash to energy plant built by Ogden Martin Systems of Bristol, Inc. (now Covanta Bristol, Inc.). The governing board consists of town officials appointed by each of the participating municipalities, and assumes all the management decisions. The Town of Berlin has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Intercommunity Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements.

The Town expenditures to the BRRFOC amounted to \$686,591 this year. The unreserved, undesignated fund balance for fiscal year ended June 30, 2010 as reflected in the BRRFOC's financial statements is \$15,050,502. A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

Under the Service Agreement, the service fee is an obligation of the Contracting Municipalities to which each has pledged its full faith and credit. Should any Contracting Municipality default in its obligation to pay the service fee, the other Contracting Municipalities shall have an obligation to continue to pay the aggregate service fee. If the Company does not perform its obligations under the service agreement and Ogden Corporation (now Covanta Bristol, Inc.) fails to perform such obligations pursuant to its guarantee, the Contracting Municipalities have certain rights to terminate the service agreement and, upon termination, would no longer be obligated to pay the service fee.

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town sponsors and administers a single-employer Public Employee Retirement System (PERS). It covers all full-time employees who have elected to participate in the Plan except certified teachers who are eligible to participate in the State Teachers' Retirement System. The PERS was authorized by vote of the Town Meeting held October 1, 1961. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. A separate stand alone report is not issued.

In 1987-88 the Town renegotiated the pension plan with all employee groups. All new participating employees are enrolled in a defined contribution retirement plan. Employees employed prior to March 17, 1987 will receive the higher of the defined contribution or the defined benefit plan (which was in force prior to this new plan). The Berlin Police Department remained in the defined benefit plan until July 1, 2000. After this date, new police officers are enrolled in the defined contribution plan. Police officers employed prior to July 1, 2000 receive the higher of the two plans. The Town of Berlin hybrid type plan necessitates the presentation of the retirement program in two parts: defined contribution and defined benefit, each of which are described herein.

Defined Contribution Segment

The Town provides benefits for all of its full-time employees through a defined contribution plan. Employees enrolled in the plan before March 17, 1987 and police officers enrolled before July 1, 2000 will receive the better of the defined benefit or defined contribution plan. The defined contribution is computed first and accounted for in the defined contribution section of the plan, which is fully funded. Any difference to which the employee is entitled is computed in the defined benefit component of the plan. Effective July 1, 2004 in the defined contribution component, the benefits depend upon the combination of the employee contributions (limited to 5% of base earnings, 6% of base earnings for police officers), which are matched by the employer contributions (200% of employee contribution), plus investment earnings. Employees are allowed to contribute additional funds, which are not matched by the Town. Employees enrolled in the plan prior to July 1, 2004 are fully vested from the date of employment. Effective July 1, 2004, all new participants in the Town's defined contribution plan shall not be vested as to the employer contribution until the fifth anniversary of his/her participation in the plan. Future improvements regarding the defined contribution plan shall not have an effective date prior to June 30, 2014.

The defined contribution plan became effective on April 1, 1988. The prior contributions were computed and matched by the Town and interest of 4% credited to the accounts. The value of the plan is \$28,771,451 on June 30, 2010. Employees contributed \$837,602, and covered payroll was \$19,936,930. The Town's matching share was \$1,486,637. Contribution requirements may be amended by Town Council subject to various bargaining unit approvals. The Town's defined contribution plan is administered by Pension Consultants located in Farmington, Connecticut. The plan's provisions may be changed by approval of the Town Council.

Defined Benefit Segment

All full-time employees hired and participating in the plan prior to March 17, 1987 and all police officers hired and participating before July 1, 2000 will receive the higher of the defined contribution earnings (as described above) or the benefit due under the old defined benefit plan. The PERS provides retirement, disability and death benefits to plan members and their beneficiaries. Plan members are entitled to a monthly benefit equal to 2% and 2.125% for police of final earnings times years of employment, times the ratio of benefit service to years of employment. The plan provides for normal retirement at age 65 (55 for Police), early retirements are allowable with reduced benefit.

At July 1, 2009 PERS membership consisted of:

	<u>Total</u>	<u>Defined Contribution Plan</u>	<u>Defined Benefit Plan</u>	
Retirees, disabled and beneficiaries currently receiving benefits	36		36	
Terminated employees entitled to benefits but not yet receiving them	3		3	
Current employees:				
Police	58	37	21	*
Other	292	281	11	*
Total	<u>389</u>	<u>318</u>	<u>71</u>	

* These participants are also included in the Defined Contribution Plan but still qualify under the minimum benefit standard for the Defined Benefit Plan.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues when due pursuant to contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with the terms of the PERS. Administrative costs are funded by the income of the fund.

Method Used to Value Investments: All funds are invested and administered through various portfolio management plans and are reported at market value. Currently, 41% of the investments are invested in the ICMA-RC Guaranteed Plus Mutual Fund. This fund invests in double A (AA) or better collateralized Guaranteed Investment Contracts. Additionally, 59% of investments are held in ICMA-RC mutual funds that are self directed.

C. Funding Policy

The contribution requirements of plan members are established and may be amended by the Town Council, subject to union contract negotiation. Plan members are required to contribute up to 5% (6% for police) of covered wages. The Town is required to contribute at an actuarially determined rate for the defined benefit segment; for the defined contribution segment the current rate for police is 12% and is 10% for all other employees of annual covered payroll.

D. Summary of Actuarial Changes

The assumed rate of investment return for the defined contribution plan was changed from 7% to 6%. Because participants get the higher of the defined contribution account balance or the defined benefit lump sum amount, the change impacts the defined benefit component negatively by increasing the required lump sum payout. The second change was a “strengthening” of the assumptions that convert the defined benefit

plan monthly benefit into a lump sum. The conversion factors reflected a lower interest rate and a longer life expectancy. These changes increased the conversion factor and thus increased the defined benefit plan lump sum liability. A change was also made from the Frozen Entry Age method to Entry Age Normal with a reset of the amortization period to ten years. The net effect of the changes was to increase the accrued actuarial liability by \$1,789,314.

E. Annual Pension Cost and Net Pension Obligations

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

Annual required contribution	\$ 355,088
Interest on net pension obligation	(13,867)
Adjustment to annual required contribution	<u>33,392</u>
Annual pension cost	374,613
Contributions made	<u>175,000</u>
Increase in net pension obligation	199,613
Net pension asset - beginning of year	<u>(198,097)</u>
Net Pension Obligation - End of Year	<u><u>\$ 1,516</u></u>

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

Actuarial valuation date	July 1, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Amount - Closed
Remaining amortization period	10 years
Asset valuation method	Fair Value, except Book Value of Insurance Contracts
Actuarial assumptions:	
Investment rate of return*	7% per annum
Projected salary increases*	5% per annum

*Includes inflation rate of 3%

F. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/08	\$ 300,735	0.0%	\$ (326,430)
6/30/09	278,333	53.9	(198,097)
6/30/10	374,613	46.7	1,516

G. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Under Funded AAL as a % of Covered Payroll ((a-b)/c)
7/01/04	\$ 2,592,038	\$ 2,729,559	\$ (137,521)	95.0	\$ 2,308,503	(6.0)%
7/01/05	1,566,619	2,101,760	(535,141)	74.5	2,287,001	(23.4)
7/01/06	1,676,218	1,849,549	(173,331)	90.6	2,146,118	(8.1)
7/01/07	1,807,648	1,932,779	(125,131)	93.5	2,233,448	(5.6)
7/01/08	2,013,793	2,062,275	(48,482)	97.6	2,251,842	(2.2)
7/01/09	1,303,836	4,974,116	(3,670,280)	26.2	1,986,110	(184.8)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/05	\$ 204,922	122.2%
6/30/06	241,623	111.8
6/30/07	251,783	102.6
6/30/08	260,595	0.0
6/30/09	254,732	58.9
6/30/10	355,088	49.3

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

Teacher Retirement

All Town of Berlin teachers participate in the State of Connecticut Teacher’s Retirement System, a cost sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- Attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or;
- Attained any age and has accumulated 35 years of credited service, at least 25 years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers’ annual salaries and transmits the funds to the State Teachers’ Retirement Board. Teacher payroll subject to retirement amounted to \$20,458,913 or 50.5% of the total Town and Board of Education payroll of \$40,507,235.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. For the year ended June 30, 2010 the Town has recorded in the General Fund (Exhibit IV) intergovernmental revenue schools and schools expenditures in the amount of \$3,163,535 as payments made by the State of Connecticut on behalf of the Town. The Town does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

15. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The Post-Retirement Medical Program (RMP) covers Town, Board of Education and Police employees. Retired program members and beneficiaries currently receiving benefits are required to contribute 100 percent towards the cost of receiving those benefits under the Town's self-insured medical benefits program. The Town does not issue a separate stand-alone financial statement for this program.

At July 1, 2008, plan membership consisted of the following:

	Post- Retirement Medical Program
Retire members	35
Spouses of retired members	26
Active plan members	<u>459</u>
Total Participants	<u><u>520</u></u>

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in both the General Fund and in an Internal Service Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of trust fund and internal service fund control may be used, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. The Town's liability is solely from the implicit rate subsidy calculation.

C. Annual OPEB Cost and Net OPEB Obligations

The Town of Berlin's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 378,000
Interest on net OPEB obligation	4,720
Adjustment to annual required contribution	<u>(4,523)</u>
Annual OPEB cost	378,197
Contributions made	<u>276,000</u>
Increase in net OPEB obligation	102,197
Net OPEB obligation, beginning of year	<u>118,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 220,197</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2010 and 2009, is presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 365,000	\$ 247,000	67.67%	\$ 118,000
6/30/10	378,197	276,000	72.98	220,197

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$3.738 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3.738 million. The covered payroll (annual payroll of active employees covered by the plan) was not available.

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

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (OAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>OAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/08	\$ -	\$ 3,738,000	\$ 3,738,000	0%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/09	\$ 365,000	68%
6/30/10	378,000	73%

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return assuming the benefits are not prefunded, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate varies by age and between Board of Education and Town and ranges from 0% to 5.05%. The general inflation assumption is 4.5%. Projected salary increases were 3.5%. The actuarial value of assets was determined using the closed group method. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2009 was 30 years.

16. FUND DEFICITS

The Capital Projects Fund has a deficit fund balance of \$2,663,359. This deficit will be funded by future grants and permanent financing.

17. CONTINGENT LIABILITIES

In the opinion of Town Counsel, there are no unpaid or pending judgments against the Town of Berlin and no legal proceedings that would adversely affect the financial position of the Town.

18. SUBSEQUENT EVENTS

On September 1, 2010, upon maturity of the \$9,970,000 Bond Anticipation Notes outstanding at June 30, 2010 the Town issued \$10,303,000 of new Bond Anticipation Notes, with an interest rate of .339% and a maturity date of June 1, 2011.

**Required Supplementary
Information**

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				Actual 2009
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Taxes:					
Current tax collections	\$ 50,672,030	\$ 50,672,030	\$ 50,316,094	\$ (355,936)	\$ 49,990,651
Back taxes	316,000	316,000	508,655	192,655	361,498
Interest from overdue taxes	110,800	110,800	307,061	196,261	250,268
Lien fees	2,088	2,088	2,160	72	2,016
Suspense taxes and interest	45,000	45,000	62,554	17,554	63,155
Elderly housing	33,000	33,000	30,300	(2,700)	33,044
Total	<u>51,178,918</u>	<u>51,178,918</u>	<u>51,226,824</u>	<u>47,906</u>	<u>50,700,632</u>
Licenses, Permits and Other Departments:					
Data processing	1	1		(1)	-
Town clerk fees	250,000	250,000	344,406	94,406	331,927
Zoning Commission and Building Inspector	350,000	350,000	547,262	197,262	357,410
Zoning Board of Appeals	4,000	4,000	6,041	2,041	5,388
Animal control fees	14,000	14,000	12,858	(1,142)	13,049
Police Department	42,000	42,000	36,940	(5,060)	41,131
Police services to other agencies	16,500	16,500	25,825	9,325	49,632
Outside police services	350,000	350,000	257,698	(92,302)	230,759
Engineering and public works	93,500	93,500	189,783	96,283	206,881
Scrap metal	50,000	50,000	42,952	(7,048)	6,000
New road fee	6,000	6,000		(6,000)	-
Parks and recreation	119,000	119,000	100,735	(18,265)	105,653
Golf course revenues	815,000	815,000	756,950	(58,050)	776,894
Golf cart revenue	300,000	300,000	261,988	(38,012)	271,537
Golf range revenue	14,000	14,000	11,753	(2,247)	12,957
Berlin-Peck Memorial Library	18,000	18,000	16,922	(1,078)	18,969
Berlin Public Health Nursing Service	1,220,000	1,245,000	1,595,792	350,792	1,810,332
Summer/field trips	12,015	13,807	14,179	372	14,634
Senior citizen center	3,000	3,000	6,154	3,154	6,098
Public grounds outside overtime	2,000	2,000	162	(1,838)	1,083
Total	<u>3,679,016</u>	<u>3,705,808</u>	<u>4,228,400</u>	<u>522,592</u>	<u>4,260,334</u>
Intergovernmental Revenues - Schools:					
Private schools	30,800	30,800	28,013	(2,787)	30,781
School transportation	221,731	221,731	129,483	(92,248)	233,868
Special education	18,000	18,000	2,098	(15,902)	-
Miscellaneous school grants	1	1		(1)	39,005
Equalized cost sharing	6,169,410	5,289,251	5,223,255	(65,996)	6,205,239
State fiscal stabilization funds		880,159	880,159	-	-
Excess special education grant	812,267	812,267	661,965	(150,302)	711,354
Adult education	13,355	13,355		(13,355)	-
Total	<u>7,265,564</u>	<u>7,265,564</u>	<u>6,924,973</u>	<u>(340,591)</u>	<u>7,220,247</u>
Intergovernmental Revenues - Other:					
In lieu of boat taxes			12,941	12,941	25,257
In lieu of taxes	26,953	26,953	26,999	46	21,016
PILOT - New Britain Stadium	30,000	30,000	30,000	-	30,000
Elderly property tax relief	140,058	140,058	133,621	(6,437)	146,870
Manufacturer's equipment grant	946,669	946,669	755,422	(191,247)	640,213
Disability, Social Security	2,099	2,099	2,201	102	2,019
Additional veteran exemption	12,622	12,622	12,818	196	12,853
Miscellaneous state grants	1	1		(1)	214
Friends Against Drugs	3,300	3,300	3,300	-	3,300
Public building grant			45,140	45,140	116,566
Pequot grant	74,627	74,627	52,551	(22,076)	104,196
Child and youth services grant	14,000	20,250	20,250	-	20,250
Bond interest subsidy				-	1,763
State and federal grants	13,000	13,000	22,158	9,158	108,049
Police overtime grant	62,250	62,250	33,360	(28,890)	52,581
Elderly/disabled grant				-	29,156
Total	<u>1,325,579</u>	<u>1,331,829</u>	<u>1,150,761</u>	<u>(181,068)</u>	<u>1,314,303</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010		Actual	Variance Positive (Negative)	Actual 2009
	Original Budget	Final Budget			
Other Services and Earnings on Investments:					
Interest on investments	\$ 500,000	\$ 500,000	\$ 260,452	\$ (239,548)	\$ 763,393
Refund of expenditures	15,000	17,243	18,915	1,672	92,124
Sale of land, labor and materials	9,500	33,500	131,728	98,228	12,225
Cell tower rental	68,560	68,560	82,406	13,846	58,483
Other receipts	112,322	112,322	5,316	(107,006)	8,219
Telephone access line share	111,827	111,827	73,670	(38,157)	105,486
Total	<u>817,209</u>	<u>843,452</u>	<u>572,487</u>	<u>(270,965)</u>	<u>1,039,930</u>
Total revenues	<u>64,266,286</u>	<u>64,325,571</u>	<u>64,103,445</u>	<u>(222,126)</u>	<u>64,535,446</u>
Other Financing Sources:					
Operating transfers from other funds:					
Water Control Commission - other	40,800	40,800	131,739	90,939	4,907
Water Control Commission - receivables	2,500	2,500	1,696	(804)	32,080
Special Revenue Funds	55,200	55,200	56,112	912	121,027
Capital Project Funds	65,000	65,000	65,000	-	65,000
Total other financing sources	<u>163,500</u>	<u>163,500</u>	<u>254,547</u>	<u>91,047</u>	<u>223,014</u>
Residual Equity Transfers	<u>1</u>	<u>1</u>		(1)	-
Total Revenues and Other Financing Sources	<u>\$ 64,429,787</u>	<u>\$ 64,489,072</u>	64,357,992	<u>\$ (131,080)</u>	<u>\$ 64,758,460</u>
Budgetary revenues are different than GAAP revenues because:					
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			3,163,535		
The Town does not budget for debt refunding transactions which resulted in an increase in GAAP revenues for proceeds from bond issuance.			<u>4,645,000</u>		
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 72,166,527</u>		

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2009
General Government:					
Manager's Office:					
Wages	\$ 169,273	\$ 171,253	\$ 166,384	\$ 4,869	\$ 263,497
Fringe benefits	59,512	55,084	48,888	6,196	72,640
Operational	6,310	6,310	1,944	4,366	4,459
Total	<u>235,095</u>	<u>232,647</u>	<u>217,216</u>	<u>15,431</u>	<u>340,596</u>
Finance Department:					
Wages	376,728	368,243	356,370	11,873	357,185
Fringe benefits	124,493	131,990	125,364	6,626	118,124
Operational	47,738	56,223	49,351	6,872	76,694
Total	<u>548,959</u>	<u>556,456</u>	<u>531,085</u>	<u>25,371</u>	<u>552,003</u>
Technology Department:					
Wages	146,737	146,737	146,737	-	141,167
Fringe benefits	44,191	43,596	42,371	1,225	50,801
Operational	132,410	110,880	110,745	135	51,543
Capital	28,900	12,738	12,738	-	44,668
Total	<u>352,238</u>	<u>313,951</u>	<u>312,591</u>	<u>1,360</u>	<u>288,179</u>
Collector of Revenue:					
Wages	136,611	135,911	131,011	4,900	128,865
Fringe benefits	41,041	39,495	38,520	975	45,069
Operational	32,454	33,154	32,142	1,012	117,589
Total	<u>210,106</u>	<u>208,560</u>	<u>201,673</u>	<u>6,887</u>	<u>291,523</u>
Treasurer:					
Wages	45,938	45,981	45,938	43	43,965
Fringe benefits	18,600	19,391	19,209	182	21,100
Operational	570	527	288	239	188
Total	<u>65,108</u>	<u>65,899</u>	<u>65,435</u>	<u>464</u>	<u>65,253</u>
Corporation Counsel:					
Wages	110,000	110,645	110,645	-	110,617
Fringe benefits	32,713	36,708	35,586	1,122	32,091
Operational	57,960	71,020	62,944	8,076	91,781
Total	<u>200,673</u>	<u>218,373</u>	<u>209,175</u>	<u>9,198</u>	<u>234,489</u>
Townwide expenditures:					
Wages	49,027	10,962	1,000	9,962	4,779
Fringe benefits	233,790	232,714	224,473	8,241	202,879
Operational	864,639	566,923	423,120	143,803	558,905
Capital	800	440		440	766
Total	<u>1,148,256</u>	<u>811,039</u>	<u>648,593</u>	<u>162,446</u>	<u>767,329</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2009
Assessor:					
Wages	\$ 225,081	\$ 225,028	\$ 218,104	\$ 6,924	\$ 217,386
Fringe benefits	76,626	83,167	79,185	3,982	83,471
Operational	23,140	23,140	22,027	1,113	21,318
Total	<u>324,847</u>	<u>331,335</u>	<u>319,316</u>	<u>12,019</u>	<u>322,175</u>
Registrar of Voters:					
Wages	85,000	61,000	51,353	9,647	65,430
Fringe benefits	18,376	10,683	10,356	327	17,937
Operational	22,700	43,100	27,052	16,048	11,847
Total	<u>126,076</u>	<u>114,783</u>	<u>88,761</u>	<u>26,022</u>	<u>95,214</u>
Town Clerk:					
Wages	217,142	219,041	218,431	610	212,659
Fringe benefits	88,503	86,800	85,771	1,029	91,455
Operational	24,060	24,060	22,664	1,396	22,810
Total	<u>329,705</u>	<u>329,901</u>	<u>326,866</u>	<u>3,035</u>	<u>326,924</u>
Board of Assessment Appeals:					
Wages	300	350	350	-	325
Fringe benefits	24	27	27	-	26
Operational	75	75	30	45	
Total	<u>399</u>	<u>452</u>	<u>407</u>	<u>45</u>	<u>351</u>
Town Council:					
Operational	<u>1,127</u>	<u>1,127</u>	<u>1,063</u>	<u>64</u>	<u>1,025</u>
Total general government	<u>3,542,589</u>	<u>3,184,523</u>	<u>2,922,181</u>	<u>262,342</u>	<u>3,285,061</u>
Community Development:					
Planning and building inspection:					
Wages	398,714	400,601	399,377	1,224	405,597
Fringe benefits	150,026	153,629	151,095	2,534	161,240
Operational	21,243	21,243	18,984	2,259	17,626
Capital	10,000			-	-
Total	<u>579,983</u>	<u>575,473</u>	<u>569,456</u>	<u>6,017</u>	<u>584,463</u>
Planning and Zoning Commission:					
Operational	<u>690</u>	<u>690</u>	<u>467</u>	<u>223</u>	<u>175</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2009
Zoning Board of Appeals:					
Wages	\$ 1,300	\$ 1,300	\$ 475	\$ 825	\$ 1,075
Fringe benefits	104	104	37	67	84
Operational	480	480	210	270	166
Total	<u>1,884</u>	<u>1,884</u>	<u>722</u>	<u>1,162</u>	<u>1,325</u>
Economic Development:					
Wages	91,411	91,335	88,477	2,858	86,970
Fringe benefits	11,869	11,945	11,645	300	15,074
Operational	23,440	19,640	17,394	2,246	17,297
Total	<u>126,720</u>	<u>122,920</u>	<u>117,516</u>	<u>5,404</u>	<u>119,341</u>
Conservation Commission:					
Wages	1,300	1,300	1,125	175	1,175
Fringe benefits	104	104	83	21	88
Operational	3,325	3,225	2,800	425	2,166
Total	<u>4,729</u>	<u>4,629</u>	<u>4,008</u>	<u>621</u>	<u>3,429</u>
Inland Wetlands Commission:					
Wages	1,400	1,400	1,325	75	1,125
Fringe benefits	112	112	100	12	83
Operational	800	800	60	740	60
Total	<u>2,312</u>	<u>2,312</u>	<u>1,485</u>	<u>827</u>	<u>1,268</u>
Veterans Commission:					
Operational	<u>12,290</u>	<u>10,090</u>	<u>8,557</u>	<u>1,533</u>	<u>4,707</u>
Berlin Historic District:					
Wages	1,375	1,375	300	1,075	400
Fringe benefits	110	110	24	86	30
Operational	350	350	171	179	75
Total	<u>1,835</u>	<u>1,835</u>	<u>495</u>	<u>1,340</u>	<u>505</u>
Commission for Disabled:					
Wages	600	600	500	100	500
Fringe benefits	48	48	39	9	39
Operational	25	25		25	-
Total	<u>673</u>	<u>673</u>	<u>539</u>	<u>134</u>	<u>539</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				Actual 2009
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
Public Building Commission:					
Wages	\$ 1,800	\$ 2,775	\$ 2,775	\$ -	\$ 2,275
Fringe benefits	143	208	207	1	170
Operational	100	23		23	64
Total	<u>2,043</u>	<u>3,006</u>	<u>2,982</u>	<u>24</u>	<u>2,509</u>
Total community development	<u>733,159</u>	<u>723,512</u>	<u>706,227</u>	<u>17,285</u>	<u>718,261</u>
Public Safety:					
Ambulance contract:					
Operational	<u>213,371</u>	<u>213,371</u>	<u>212,076</u>	<u>1,295</u>	<u>205,620</u>
Animal Control:					
Wages	86,316	87,705	86,530	1,175	83,078
Fringe benefits	26,080	26,176	24,952	1,224	25,426
Operational	<u>18,085</u>	<u>16,696</u>	<u>10,078</u>	<u>6,618</u>	<u>10,570</u>
Total	<u>130,481</u>	<u>130,577</u>	<u>121,560</u>	<u>9,017</u>	<u>119,074</u>
Fire Department:					
Wages	97,426	97,288	84,119	13,169	79,626
Fringe benefits	96,101	93,605	67,150	26,455	68,189
Operational	<u>315,512</u>	<u>337,647</u>	<u>297,898</u>	<u>39,749</u>	<u>273,583</u>
Capital	<u>18,000</u>			-	<u>18,000</u>
Total	<u>527,039</u>	<u>528,540</u>	<u>449,167</u>	<u>79,373</u>	<u>439,398</u>
Police:					
Wages	4,315,507	4,351,946	4,271,544	80,402	4,011,063
Fringe benefits	1,520,776	1,487,169	1,420,434	66,735	1,326,279
Operational	<u>215,770</u>	<u>169,526</u>	<u>149,036</u>	<u>20,490</u>	<u>149,357</u>
Capital	<u>115,000</u>	<u>109,267</u>	<u>109,267</u>	-	<u>174,792</u>
Total	<u>6,167,053</u>	<u>6,117,908</u>	<u>5,950,281</u>	<u>167,627</u>	<u>5,661,491</u>
Fire Marshal:					
Wages	151,891	152,062	152,062	-	144,076
Fringe benefits	50,977	57,013	55,549	1,464	57,230
Operational	<u>6,390</u>	<u>6,390</u>	<u>2,589</u>	<u>3,801</u>	<u>4,213</u>
Total	<u>209,258</u>	<u>215,465</u>	<u>210,200</u>	<u>5,265</u>	<u>205,519</u>
Total public safety	<u>7,247,202</u>	<u>7,205,861</u>	<u>6,943,284</u>	<u>262,577</u>	<u>6,631,102</u>
Physical Services:					
Municipal garage:					
Wages	394,561	397,751	394,859	2,892	369,485
Fringe benefits	149,625	135,677	133,019	2,658	145,031
Operational	<u>417,835</u>	<u>344,621</u>	<u>335,999</u>	<u>8,622</u>	<u>416,135</u>
Capital	<u>10,000</u>			-	<u>15,300</u>
Total	<u>972,021</u>	<u>878,049</u>	<u>863,877</u>	<u>14,172</u>	<u>945,951</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2009
Public Works:					
Wages	\$ 348,090	\$ 295,426	\$ 290,015	\$ 5,411	\$ 326,092
Fringe benefits	114,440	115,986	103,014	12,972	117,605
Operational	1,987,934	2,081,934	2,004,157	77,777	1,734,017
Capital	20,000	20,000		20,000	34,730
Total	<u>2,470,464</u>	<u>2,513,346</u>	<u>2,397,186</u>	<u>116,160</u>	<u>2,212,444</u>
Highway:					
Wages	897,535	841,305	828,999	12,306	810,084
Fringe benefits	371,009	373,779	351,096	22,683	358,648
Operational	237,380	232,317	198,488	33,829	230,633
Capital				-	114,764
Total	<u>1,505,924</u>	<u>1,447,401</u>	<u>1,378,583</u>	<u>68,818</u>	<u>1,514,129</u>
Public building:					
Wages	990,056	992,647	988,953	3,694	928,383
Fringe benefits	408,377	388,396	381,947	6,449	407,620
Operational	698,401	869,285	797,822	71,463	700,393
Capital	184,000	31,140	31,140	-	6,950
Total	<u>2,280,834</u>	<u>2,281,468</u>	<u>2,199,862</u>	<u>81,606</u>	<u>2,043,346</u>
Total physical services	<u>7,229,243</u>	<u>7,120,264</u>	<u>6,839,508</u>	<u>280,756</u>	<u>6,715,870</u>
Parks, Recreation and Libraries:					
Recreation:					
Wages	302,716	304,646	284,672	19,974	289,574
Fringe benefits	86,263	76,395	68,967	7,428	80,597
Operational	57,047	59,010	43,067	15,943	51,521
Total	<u>446,026</u>	<u>440,051</u>	<u>396,706</u>	<u>43,345</u>	<u>421,692</u>
Golf course:					
Wages	526,344	557,660	555,729	1,931	503,982
Fringe benefits	191,488	188,436	185,254	3,182	193,068
Operational	479,661	489,531	478,867	10,664	480,491
Capital	45,801	45,801	45,801	-	48,916
Total	<u>1,243,294</u>	<u>1,281,428</u>	<u>1,265,651</u>	<u>15,777</u>	<u>1,226,457</u>
Libraries:					
Wages	589,652	589,652	577,476	12,176	574,562
Fringe benefits	202,464	202,464	184,604	17,860	213,695
Operational	162,930	162,930	162,640	290	174,898
Total	<u>955,046</u>	<u>955,046</u>	<u>924,720</u>	<u>30,326</u>	<u>963,155</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010				
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Actual 2009
Public grounds:					
Wages	\$ 708,953	\$ 709,049	\$ 657,301	\$ 51,748	\$ 675,296
Fringe benefits	282,637	286,173	271,139	15,034	282,673
Operational	292,265	291,809	215,141	76,668	243,299
Capital	15,500	20,652	20,423	229	23,488
Total	<u>1,299,355</u>	<u>1,307,683</u>	<u>1,164,004</u>	<u>143,679</u>	<u>1,224,756</u>
Total parks, recreation and libraries	<u>3,943,721</u>	<u>3,984,208</u>	<u>3,751,081</u>	<u>233,127</u>	<u>3,836,060</u>
Health and Human Services:					
Health Department:					
Operational	<u>83,506</u>	<u>83,506</u>	<u>83,506</u>	<u>-</u>	<u>83,031</u>
Nursing services:					
Wages	941,443	933,546	901,695	31,851	909,254
Fringe benefits	319,445	321,169	280,074	41,095	311,180
Operational	362,753	394,621	363,186	31,435	360,751
Capital	12,216	12,216	12,216	-	
Total	<u>1,635,857</u>	<u>1,661,552</u>	<u>1,557,171</u>	<u>104,381</u>	<u>1,581,185</u>
Community services:					
Wages	290,539	299,304	294,280	5,024	302,317
Fringe benefits	102,883	124,553	124,083	470	114,018
Operational	31,560	36,328	35,244	1,084	59,297
Capital	14,000			-	
Total	<u>438,982</u>	<u>460,185</u>	<u>453,607</u>	<u>6,578</u>	<u>475,632</u>
Total health and human services	<u>2,158,345</u>	<u>2,205,243</u>	<u>2,094,284</u>	<u>110,959</u>	<u>2,139,848</u>
Schools:					
Private schools:					
Wages	82,838	82,838	58,111	24,727	53,284
Fringe benefits	36,838	36,838	23,544	13,294	27,615
Operational	1,208	1,208	1,074	134	1,027
Total	<u>120,884</u>	<u>120,884</u>	<u>82,729</u>	<u>38,155</u>	<u>81,926</u>
Board of Education	<u>36,533,871</u>	<u>36,533,871</u>	<u>36,504,649</u>	<u>29,222</u>	<u>35,794,916</u>
School expenditures:					
Wages	481,672	483,464	437,904	45,560	424,312
Fringe benefits	750,075	772,308	743,089	29,219	740,394
Operational	1,262,251	1,210,624	1,045,402	165,222	1,140,149
Capital	443,200	366,676	365,031	1,645	440,880
Total	<u>2,937,198</u>	<u>2,833,072</u>	<u>2,591,426</u>	<u>241,646</u>	<u>2,745,735</u>
Total schools	<u>39,591,953</u>	<u>39,487,827</u>	<u>39,178,804</u>	<u>309,023</u>	<u>38,622,577</u>

(Continued on next page)

TOWN OF BERLIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	2010		Actual	Variance Positive (Negative)	Actual 2009
	Original Budget	Final Budget			
Debt Principal:					
Town Government	\$ 1,170,000	\$ 1,170,000	\$ 1,170,000	\$ -	\$ 1,190,000
Schools					575,000
Total debt principal	<u>1,170,000</u>	<u>1,170,000</u>	<u>1,170,000</u>	<u>-</u>	<u>1,765,000</u>
Interest and Fiscal Charges:					
Town Government	743,314	743,314	353,689	389,625	411,617
Schools	70,261	70,260	54,545	15,715	46,519
Total interest and fiscal charges	<u>813,575</u>	<u>813,574</u>	<u>408,234</u>	<u>405,340</u>	<u>458,136</u>
Total Expenditures	<u>66,429,787</u>	<u>65,895,012</u>	<u>64,013,603</u>	<u>1,881,409</u>	<u>64,171,915</u>
Other Financing Uses:					
Transfers to Other Funds:					
Capital and Nonrecurring Fund		569,060	569,060	-	666,462
BHS Construction Fund				-	70,700
Revaluation Fund				-	45,200
Special grants and donations		8,000	8,000	-	
Union negotiation reserve		17,000	17,000	-	
Total other financing uses	<u>-</u>	<u>594,060</u>	<u>594,060</u>	<u>-</u>	<u>782,362</u>
Total Expenditures and Other Financing Uses	<u>\$ 66,429,787</u>	<u>\$ 66,489,072</u>	64,607,663	<u>\$ 1,881,409</u>	<u>\$ 64,954,277</u>
Budgetary expenditures are different than GAAP expenditures because:					
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			3,163,535		
The Town does not budget for debt refunding transactions which resulted in an increase in GAAP expenditures for payments made to escrow agents.			<u>4,815,247</u>		
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds - Exhibit IV			<u>\$ 72,586,445</u>		

APPENDIX B - FORMS OF OPINION OF BOND COUNSEL AND TAX EXEMPTION

JOSEPH FASI LLC

1010 WETHERSFIELD AVENUE
HARTFORD, CONNECTICUT 06114

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

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

FORM OF OPINION OF BOND COUNSEL - Bonds

Town of Berlin
Berlin, Connecticut

Ladies and Gentlemen:

We have represented the Town of Berlin, Connecticut as bond counsel with respect to the issuance and sale of \$16,610,000 Town of Berlin General Obligation Bonds, Issue of 2011, bearing a Dated Date of June 1, 2011 and an Original Issue Date of June 1, 2011 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated June 1, 2011 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are subject to redemption prior to maturity as therein provided. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Berlin payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

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

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

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

Respectfully yours,

JOSEPH FASI LLC

JOSEPH FASI LLC

1010 WETHERSFIELD AVENUE
HARTFORD, CONNECTICUT 06114

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

TELEPHONE (860)296-0510

FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL – Notes

Town of Berlin
Berlin, Connecticut

Ladies and Gentlemen:

We have represented the Town of Berlin, Connecticut as bond counsel with respect to the issuance and sale of \$6,317,000 Town of Berlin General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of June 1, 2011, maturing May 31, 2012 (the “notes”).

We have examined a record of the proceedings of authorizing the notes, a Tax Regulatory Agreement of the Town dated June 1, 2011 (the “Tax Regulatory Agreement”), and other proofs submitted to us.

The notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the notes, and are certified by U.S. Bank National Association, Hartford, Connecticut (the “Certifying Agent”).

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the notes (except to the extent, if any, stated in such Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid and binding general obligation of the Town of Berlin payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the notes in order that interest on the notes not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the notes shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

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

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

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

Respectfully yours,

JOSEPH FASI LLC

TAX EXEMPTION – Bonds and Notes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

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

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

APPENDIX C - FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 1, 2011

In Connection With The Issuance And Sale Of

\$16,610,000 Town Of Berlin, Connecticut

General Obligation Bonds, Dated June 1, 2011

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$16,610,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated June 1, 2011 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

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

<http://emma.msrb.org>

Section 2. Annual Reports.

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

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

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer’s taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer’s equalized net (taxable) grand list;
- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer’s pension benefit obligation.

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

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

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

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

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 1, 2011

In Connection With The Issuance And Sale Of

\$16,610,000 Town Of Berlin, Connecticut

General Obligation Bonds, Dated June 1, 2011

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

TOWN OF BERLIN, CONNECTICUT

By _____
Adam P. Salina
Mayor

By _____
Denise M. McNair
Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
James Wren, Jr.
Finance Director

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 1, 2011

In Connection With The Issuance And Sale Of

\$6,317,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated June 1, 2011

WHEREAS, the Town of Berlin, Connecticut (the "Issuer") has heretofore authorized the issuance of \$6,317,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of June 1, 2011, maturing on May 31, 2012, said Notes as more fully described in the Issuer's Final Official Statement describing the Notes and prepared in connection with their sale (the "Official Statement"); and

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

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

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

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

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

"Listed Events" shall mean any of the events listed in Section 2 of this Continuing Disclosure Agreement.

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

<http://emma.msrb.org>

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

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

Section 3. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 4. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in

connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not adversely affect the beneficial owners of the Notes and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB.

Section 6. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 7. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Notes.

Section 8. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of the beneficial owners of the Notes and shall be enforceable by them. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Notes.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF BERLIN, CONNECTICUT

Dated As Of June 1, 2011

In Connection With The Issuance And Sale Of

\$6,317,000 Town Of Berlin, Connecticut

General Obligation Bond Anticipation Notes, Dated June 1, 2011

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

TOWN OF BERLIN, CONNECTICUT

By _____
Adam P. Salina
Mayor

By _____
Denise M. McNair
Town Manager

By _____
Nancy L. Lockwood
Treasurer

By _____
James Wren, Jr.
Finance Director

APPENDIX D - NOTICE OF SALE AND BID FORMS

NOTICE OF SALE

TOWN OF BERLIN, CONNECTICUT

**\$16,610,000
GENERAL OBLIGATION BONDS, ISSUE OF 2011**

AND

**\$6,317,000
GENERAL OBLIGATION BOND ANTICIPATION NOTES**

Bids will be received by the Town of Berlin, Connecticut (the "Issuer"), at Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103 on **Wednesday, May 18, 2011** for the purchase of:

**\$16,610,000 General Obligation Bonds
(the "Bonds")**

NOT BANK QUALIFIED

until 11:30 A.M. (E.D.T.)

Bonds: ELECTRONIC BIDS only via PARITY®

\$6,317,000 General Obligation Bond Anticipation Notes

Dated: June 1, 2011

Due: May 31, 2012

(the "Notes")

NOT BANK QUALIFIED

until 11:00 A.M. (E.D.T.)

Notes: SEALED PROPOSALS only

Separate forms of proposal will be provided for the Bonds and the Notes. Bidders may submit proposals for either the Bonds or the Notes, and are not required to submit proposals for each.

The Notes

The Notes will be dated June 1, 2011, will be payable to the registered owner on May 31, 2012 and are not subject to redemption prior to maturity. They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Bonds

The Bonds will be dated June 1, 2011, maturing June 1 in each of the years as follows: \$1,235,000 in the year 2014; \$1,250,000 in the year 2015; \$1,265,000 in the year 2016; \$1,285,000 in the year 2017; \$1,300,000 in the years 2018 and 2019; \$1,340,000 in the year 2020; \$1,375,000 in the year 2021; \$1,160,000 in the year 2022; \$1,205,000 in the year 2023; \$1,240,000 in the year 2024; \$1,290,000 in the year 2025; and \$1,365,000 in the year 2026, bearing interest payable semi-annually on June 1 and December 1 in each year until maturity, commencing December 1, 2011.

Redemption - The Bonds

The Bonds maturing on or before June 1, 2021 are not subject to redemption prior to maturity. The Bonds maturing on June 1, 2022 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after June 1, 2021, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price or prices (expressed as a percentage of the principal amount of 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>
From:	June 1, 2021 and thereafter	100%

The Bonds and Notes will be issued by means of a book-entry system with no physical distribution of bond or note certificates made to the public. The Bonds and Notes will be issued in registered form and one bond certificate for each maturity and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds and Notes in principal amounts of \$5,000 and \$1,000, respectively, or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidders, as a condition to delivery of the Bonds and Notes, will be required to deposit the bond and note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds and Notes will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds and Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals - Notes

Proposals for the purchase of said Notes must be in the form of proposal for purchase attached hereto. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, except that one such proposal for a part may include the odd \$117,000, of the principal per interest rate bid, and the total of all principal amounts bid shall not exceed \$6,317,000.

Sealed proposals for the Notes must be enclosed in sealed envelopes marked "Proposal for Notes", and addressed to Adam P. Salina, Mayor; Denise M. McNair, Town Manager; Nancy L. Lockwood, Treasurer; and James Wren, Jr., Finance Director, Town of Berlin, c/o Webster Bank, National Association, CityPlace II, 185 Asylum Street, 3rd Floor Conference Room, Hartford, Connecticut 06103.

Unless all bids are rejected the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Issuer reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The purchase price must be paid in Federal Funds.

Submitting Proposals - Bonds

Proposals for the purchase of said Bonds will be accepted electronically via *PARITY*® only, and must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$16,610,000 of bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to June 1, 2011, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to June 1, 2011, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of *PARITY*® until 11:30 A.M. (E.D.T.) on Wednesday, May 18, 2011. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*®, including any fee charged, may be obtained from *PARITY*®, c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

use of *PARITY*® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.

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

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

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

The Bonds and Notes will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidders will be furnished with their opinion without charge. The winning bidders will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions interest on the Bonds and the Notes (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations under the Code.

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

In rendering the legal opinion, Joseph Fasi LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds and Notes, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

The Bonds and the Notes shall NOT be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds and Notes.

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER OF THE BONDS AND OF THE NOTES TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND OF THE NOTES AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY AND OF THE NOTES WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

The Bonds and Notes will be delivered to DTC or its Agent via "Fast" on or about June 1, 2011. The deposit of the Bonds and Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds and Notes prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds and Notes with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds and Notes will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on May 18, 2011. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated May 5, 2011, may be obtained from Christopher P. Martin, Senior Vice President/Manager, Webster Bank, National Association, CityPlace II, 185 Asylum Street, Hartford, Connecticut 06103, (860) 692-1324 or from James Wren, Jr., Finance Director, Town of Berlin, 240 Kensington Road, Berlin, Connecticut 06037, (860) 828-7044. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder of the Bonds 50 copies of the Official Statement and to the winning bidder of the Notes 15 copies of the Official Statement, prepared for this Bond and Note issue at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

With respect to the Bonds, the Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including

audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. With respect to the Notes, the Issuer will undertake in a Continuing Disclosure Agreement to provide timely notice of the occurrence of certain material events.

The winning bidder's obligation to purchase the Bonds or Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds or Notes, an executed copy of the Continuing Disclosure Agreement, as applicable.

Adam P. Salina
Mayor

Denise M. McNair
Town Manager

Nancy L. Lockwood
Treasurer

James Wren, Jr.
Finance Director

May 5, 2011

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS
 ONLY Electronic Bids via *PARITY*® Accepted

May 18, 2011

Adam P. Salina, Mayor
 Denise M. McNair, Town Manager
 Nancy L. Lockwood, Treasurer
 James Wren, Jr., Finance Director
 Town of Berlin
 c/o Webster Bank, National Association
 CityPlace II
 185 Asylum Street, 3rd Floor Conference Room
 Hartford, Connecticut 06103

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated May 5, 2011, which Notice is made a part of this proposal, we offer to purchase all \$16,610,000 bonds of the Town of Berlin comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2014	\$1,235,000	_____ %	2021	\$1,375,000	_____ %
2015	\$1,250,000	_____ %	2022	\$1,160,000	_____ %
2016	\$1,265,000	_____ %	2023	\$1,205,000	_____ %
2017	\$1,285,000	_____ %	2024	\$1,240,000	_____ %
2018	\$1,300,000	_____ %	2025	\$1,290,000	_____ %
2019	\$1,300,000	_____ %	2026	\$1,365,000	_____ %
2020	\$1,340,000	_____ %			

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$16,610,000 bonds under the foregoing proposal:

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

PROPOSAL FOR NOTES
ONLY Sealed Proposals Accepted

May 18, 2011

Adam P. Salina, Mayor
Denise M. McNair, Town Manager
Nancy L. Lockwood, Treasurer
James Wren, Jr., Finance Director
Town of Berlin
c/o Webster Bank, National Association
CityPlace II
185 Asylum Street, 3rd Floor Conference Room
Hartford, Connecticut 06103

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated May 5, 2011, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$6,317,000 of Town of Berlin General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter (but no later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)