

Rating: Standard & Poors: \_\_\_\_\_

**NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 15, 2013**

NEW ISSUE

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

**\$3,158,000\***

**TOWN OF SHERBORN, MASSACHUSETTS  
General Obligation Municipal Purpose Loan of 2013 Bonds  
Book-Entry-Only  
Bank-Qualified**

**Dated: March 11, 2013**

**Due: (As shown below)**

**MATURITY SCHEDULE**

<u>Due:</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due:</u> <u>May 15</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2014 .....	\$ 403,000 *	%	%	2021 .....	\$ 250,000 *	%	%
2015 .....	395,000 *			2022 .....	85,000 ❖		
2016 .....	395,000 *			2023 .....	70,000 ❖		
2017 .....	390,000 *			2024 .....	40,000 ❖		
2018 .....	375,000 *			2025 .....	35,000 ❖		
2019 .....	355,000 *			2026 .....	30,000 ❖		
2020 .....	335,000 *						

\* Preliminary, subject to change.

❖ Callable maturities. May be combined into one or two Term Bonds.

Principal of the Bonds will be payable on May 15 of the years in which the Bonds mature. Interest will be payable on November 15, 2013 and semi-annually thereafter on each May 15 and November 15. The Bonds maturing on and before May 15, 2021 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after May 15, 2021 are subject to redemption in accordance with the terms described herein.

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 (except for one principal amount of \$3,000 maturing in 2014) or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

The Bonds will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel to the Town. It is expected that the Bonds, in definitive form, will be delivered to DTC, or its custodial agent, on or about March 11, 2013 against payment in Federal Reserve Funds.

**Electronic and Sealed Bids Received  
Until 11:00 A.M. (Local Time)  
Thursday, February 28, 2013**

**at  
EASTERN BANK  
Boston, Massachusetts  
Financial Advisor**

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

**TOWN OF SHERBORN, MASSACHUSETTS**

**\$3,158,000\***

**GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2013 BONDS**

**Book-Entry-Only**

**Bank-Qualified**

**NOTICE OF SALE**

The Town of Sherborn, Massachusetts, will receive proposals until 11:00 A.M. (local time) on Thursday, February 28, 2013, at Eastern Bank, Boston, Massachusetts, for the purchase of the following described Bonds:

\$3,158,000\* General Obligation Municipal Purpose Loan of 2013 Bonds payable as follows:

<u>Due May 15</u>	<u>Principal Amount</u>	<u>Due May 15</u>	<u>Principal Amount</u>
2014	\$403,000 *	2021	\$250,000 *
2015	395,000 *	2022	85,000 ❖
2016	395,000 *	2023	70,000 ❖
2017	390,000 *	2024	40,000 ❖
2018	375,000 *	2025	35,000 ❖
2019	355,000 *	2026	30,000 ❖
2020	335,000 *		

\* Preliminary, subject to change.

❖ Callable maturities. These maturities may be combined into one or two Term Bonds as provided for herein.

The Bonds will be dated March 11, 2013. Principal on the Bonds will be payable on May 15 of the years in which the Bonds mature. Interest will be payable on November 15, 2013 and semi-annually thereafter on each May 15 and November 15.

***The Bonds maturing on and before May 15, 2021 are not subject to redemption prior to their stated dates of maturity.***

***Bonds maturing after May 15, 2021 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after May 15, 2021 either in whole or in part at any time, and if in part, by lot within a maturity at the price of par plus accrued interest to the date set for redemption.***

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 (except for one principal amount of \$3,000 maturing in 2014) or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody. The winning bidder, as a condition of delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co.

The original Bonds to be immobilized at DTC will be prepared and their legality approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

**No bid of less than par PLUS A PREMIUM OF NOT LESS THAN \$44,000 will be considered.**

Bidder(s) shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/8<sup>th</sup> or 1/20<sup>th</sup> of 1%, but shall not state: (a) more than one interest rate for any Bonds having a like maturity; (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%.

As between proposals that comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of March 11, 2013, discounts semi-annually all future payments on account of principal and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, if any, which accrued interest shall be paid by the successful bidder.

The Town reserves the right to change the aggregate principal amount of the bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the bonds are being issued after taking into account any premium to be received by the Town, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the Town. In such event, the aggregate principal amount of the Bonds will be increased or decreased by not more than ten percent (10%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

Electronic proposals will be submitted through **PARITY/i-Deal™**. If any provisions in this Notice of Sale conflict with information provided by **PARITY/i-Deal™** this Notice of Sale shall control. Further information about **PARITY**, including any fees charged, may be obtained from **i-Deal** at (212) 404-8102. The Town assumes no responsibility or liability for bids submitted in this manner.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Other bids, including bids delivered by telegram, should be sealed, marked "Proposal for Bonds" and addressed to Descom D. Hoagland, III, Treasurer, Town of Sherborn, Massachusetts, c/o Eastern Bank, Municipal Finance Department, Second Floor, 265 Franklin Street, Boston, Massachusetts 02110. Proposals delivered as specified will be accepted. Blank bid forms with signature may be faxed to Eastern Bank prior to submitting bids at (617) 235-8110, with actual bids telephoned to (617) 235-8104 or (617) 235-8106, at least one half hour prior to the 11:00 AM (local time) sale and after receipt of the faxed bid form by Eastern Bank which will act as agent for the bidder(s) in submitting the final sealed bids. Neither the Town nor Eastern Bank shall be responsible for bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Eastern Bank by not later than 11:30 A.M. on the date of sale. A good faith deposit is not required.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of their contractual obligations arising from the acceptance of their proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of February 28, 2013 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices shown set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by

the bidder as to alternative certifications that will be suitable to establish the “issue price” of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition of the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP, Boston, Massachusetts, substantially in the form presented in Appendix C to the Preliminary Official Statement, included herein, (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Bonds and receipt of payment therefore to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that to the best of the signer’s knowledge and belief, both as of the date of sale and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

In order to assist bidders in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”), the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement and the proposed form of Continuing Disclosure Certificate is provided in Appendix D, thereto.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

**The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.**

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or its custodial agent, on or about March 11, 2013 against payment in federal reserve funds.

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated February 15, 2013, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not deemed a part of this Notice of Sale. Copies of the Preliminary Official Statement and a suggested form of the proposal for the Bonds may be obtained from Eastern Bank, Municipal Finance Department, Second Floor, 265 Franklin Street, Boston, Massachusetts 02110, telephone: (617) 235-8104. The Preliminary Official Statement is deemed final by the Town as of its date for purposes of the Rule except for the omission of the reoffering prices, interest rates and any other terms of the Bonds depending on such matters and the identity of the purchasers. Within seven (7) business days following the award of the Bonds in accordance herewith, no more than 50 copies of the Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser’s expense.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal for the Bonds.

Town of Sherborn, Massachusetts

By: /s/ Descom D. Hoagland, III, Treasurer

Dated: February 15, 2013

**CONTACT INFORMATION:**

**ISSUER**

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**OFFICIAL STATEMENT**  
**TOWN OF SHERBORN, MASSACHUSETTS**

**\$3,158,000\***

**BANK QUALIFIED**

**GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2013 BONDS**

**INTRODUCTION**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Sherborn, Massachusetts (the "Town") in connection with the sale of its \$3,158,000\* General Obligation Municipal Purpose Loan of 2013 Bonds (the "Bonds").

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. They are not guaranteed by The Commonwealth of Massachusetts (the "Commonwealth") or any other entity. The principal of and interest on the Bonds is payable from taxes which may be levied upon all taxable property in the Town, without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the Massachusetts General Laws with respect to debt service on the \$3,080,000\* principal portion and subject to the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws with respect to debt service on the balance of \$78,000 pertaining to elderly housing renovations. The security for the Bonds is more fully described under the caption "THE BONDS - *Security and Remedies*" below. See also "*Proposed Form of Legal Opinion*" in Appendix C.

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Descom D. Hoagland, III, Treasurer, (508) 651-7859 or Maureen E. Pacella, Vice President, Eastern Bank, (617) 235-8104.

The information contained herein has been obtained from the sources indicated or from the Town.

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*\*Preliminary, subject to change*

**THE BONDS**

**Description of the Bonds**

The Bonds will be dated March 11, 2013, and will bear interest payable on November 15, 2013 and semi-annually thereafter on each May 15 and November 15. Interest will be calculated on the basis of a 30-day month and a 360-day year. Principal on the Bonds will be payable on May 15 of the years and in the amounts shown on the cover of this Official Statement.

Principal and semi-annual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent (the "Paying Agent"). So long as The Depository Trust Company, New York, New York, ("DTC"), or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 (*except for one principal amount of \$3,000 maturing in 2014*) 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 participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

## **Record Date**

The record date for each payment of interest on the Bonds is the last business day of the month preceding the interest payment date provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondholders at least ten (10) days before the special record date.

## **Book-Entry-Only System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. Depository Trust Company ("DTC"), New York, NY. The Bonds will be issued in fully-registered form 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 interest rate, each in the aggregate principal amount bearing such interest rate, 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 credit rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to be determined by lot the amount of the interest of each direct Participant in such maturity to be redeemed.



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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on the 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), the Town or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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, physical certificates will be printed and delivered to Beneficial Owners.

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 Issuer takes no responsibility for the accuracy thereof.

### **DTC Practices**

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

### **Optional Redemption**

The Bonds maturing on and before May 15, 2021 are not subject to redemption prior to their stated dates of maturity.

Bonds maturing after May 15, 2021 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after May 15, 2021, either in whole or in part at any time, and if in part, by lot within a maturity at the price of par plus accrued interest to the date set for redemption.

### **Notice of Redemption**

Notice of any redemption of Bonds prior to their dates of maturity, specifying the Bonds (or portion thereof) to be redeemed and the place or places of payment shall be mailed to DTC (so long as it is the registered owner of the Bonds) not more than 60 days nor less than 30 days prior to the redemption date. Any failure by DTC to notify the DTC Participants of the redemption, or failure on the part of the DTC Participants or a nominee of a Beneficial Owner to notify the Beneficial Owner of the redemption shall not affect the validity of the redemption.

## Authorization and Use of Proceeds

The \$3,158,000\* General Obligation Municipal Purpose Loan of 2013 Bonds consists of the following amounts and purposes.

The \$640,000 Equipment Bonds will be used as follows.

\$450,000 will be used for the purchase of a pumper truck for the Fire and Rescue Department. A total of \$480,000 was authorized pursuant to the Massachusetts General Laws, Chapter 44, Section 7(9) and a vote of the Town passed under Article 8-2 at the April 27, 2010 Annual Town Meeting, of which the Town previously paid \$4,000 with available funds. \$476,000 of bond anticipation notes will be retired with bond proceeds together with \$26,000 of available funds on March 12, 2013. *The Town voted at the May 11, 2010 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

\$120,000 will be used for the purchase of a multi-purpose sidewalk plow and mower for the Community Maintenance and Development Department. A total of \$120,000 was authorized pursuant to the Massachusetts General Laws, Chapter 44, Section 7(9) and a vote of the Town passed under Article 8-2 at the April 24, 2012 Annual Town Meeting. \$120,000 of bond anticipation notes will be retired with bond proceeds. *The Town voted at the May 8, 2012 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

\$70,000 will be used for the purchase of a brush truck with related equipment for the Fire Department. A total of \$70,000 was authorized pursuant to the Massachusetts General Laws, Chapter 44, Section 7(9) and a vote of the Town passed under Article 8-4 at the April 24, 2012 Annual Town Meeting. \$70,000 of bond anticipation notes will be retired with bond proceeds. *The Town voted at the May 8, 2012 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

The \$140,000 Police Communication System Bonds will be used for the purchase of updated police and fire communications equipment. A total of \$152,524 was authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(14) and a vote of the Town passed under Article 9-3 at the April 26, 2011 Annual Town Meeting, of which the Town previously paid \$3,524 with available funds. \$149,000 of bond anticipation notes will be retired with bond proceeds together with \$9,000 of available funds on March 12, 2013. *The Town voted at the May 10, 2011 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

The \$328,000 Elderly Housing Bonds will be used as follows:

\$78,000 will be used for renovations at the Woodhaven Elderly Housing Complex. A total of \$108,000 was authorized pursuant to the Massachusetts General Laws, Chapter 44, Section 7(3A) and a vote of the Town passed under Article 8-5 at the April 27, 2010 Annual Town Meeting, of which the Town previously paid \$10,000 with available funds. \$98,000 of bond anticipation notes will be retired with bond proceeds together with \$20,000 of available funds on March 12, 2013.

\$250,000 will be used for renovations and improvements at the Woodhaven Elderly Housing Complex. A total of \$500,000 was authorized pursuant to the Massachusetts General Laws, Chapter 44, Section 7(3A) and a vote of the Town passed under Article 8-6 at the April 24, 2012 Annual Town Meeting. \$200,000 of bond anticipation notes will be retired with bond proceeds and the balance will be used to continue the project. *The Town voted at the May 8, 2012 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

The \$95,000 School Bonds will be used for improvements at the Pine Hill Elementary School. A total of \$95,200 was authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(3A) and a vote of the Town passed under Article 8-7 at the April 24, 2012 Annual Town Meeting. \$95,200 of bond anticipation notes will be retired with

bond proceeds and \$200 of available funds on March 12, 2013. *The Town voted at the May 8, 2012 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

\$50,000 Library Bonds will be issued for improvements to the Library. A total of \$52,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(3A) and a vote of the Town passed under Article 8-1 at the April 24, 2012 Annual Town Meeting. \$52,000 of bond anticipation notes will be retired with bond proceeds together with \$2,000 of available funds on March 12, 2013. *The Town voted at the May 8, 2012 Annual Town Election to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

\$1,905,000\* Refunding Bonds will be used to currently refund a portion of the Town’s \$4,690,000 General Obligation Bonds dated March 1, 2003, maturing May 15, in the years 2014 through 2021, inclusive, in the aggregate principal amount of \$1,910,000 (the “Refunded Bonds”) including payment of the underwriter’s discount, principal, interest, redemption premium and other costs. *The Town voted to exempt the payment of principal and interest on the Bonds from the limitation on total taxes imposed by Massachusetts General Laws, Chapter 59, Section 21C (Proposition 2 ½).*

*\*Preliminary, subject to change*

**Combined Schedule of Maturities**

<u>Due Date</u>	<u>Dept'l Equip.</u>	<u>Police Comm.</u>	<u>Elderly Housing</u>	<u>School</u>	<u>Library</u>	<u>Refunding*</u>	<u>Total</u>
5/15/14	\$ 60,000	\$ 20,000	\$ 38,000	\$ 15,000	\$ 10,000	\$ 260,000	\$ 403,000
5/15/15	60,000	20,000	40,000	10,000	5,000	260,000	395,000
5/15/16	60,000	20,000	40,000	10,000	5,000	260,000	395,000
5/15/17	60,000	20,000	40,000	10,000	5,000	255,000	390,000
5/15/18	55,000	15,000	40,000	10,000	5,000	250,000	375,000
5/15/19	55,000	15,000	25,000	10,000	5,000	245,000	355,000
5/15/20	55,000	15,000	25,000	10,000	5,000	225,000	335,000
5/15/21	45,000	15,000	25,000	10,000	5,000	150,000	250,000
5/15/22	45,000		25,000	10,000	5,000		85,000
5/15/23	45,000		25,000				70,000
5/15/24	35,000		5,000				40,000
5/15/25	35,000						35,000
5/15/26	30,000						30,000
	<u>\$ 640,000</u>	<u>\$ 140,000</u>	<u>\$ 278,000</u>	<u>\$ 95,000</u>	<u>\$ 50,000</u>	<u>\$1,905,000</u>	<u>\$ 3,158,000</u>

*\*Preliminary, subject to change*

**Tax Exemption**

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other

federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest

on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

## **Security and Remedies**

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described above (see "*Serial Bonds and Notes*" under "INDEBTEDNESS - TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments". Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*Property Tax Limitations*" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "INDEBTEDNESS - Debt Limit" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Property Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing

purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings had been approved or made.

**Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to Town by not later than 270 days after the end of each fiscal year ending June 30 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule. Procedures are currently in place to assure compliance in the future.

The Treasurer, or such official’s designee from time to time, shall be the contact person on behalf of the Town from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Descom D. Hoagland, III, Treasurer, Town of Sherborn, 19 Washington Street, Town Hall, Sherborn, MA 01770; 508-651-7859.

**Bank Eligibility**

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

**Rating**

Application has been made to Standard & Poor’s for a rating on the Bonds. Such rating, if obtained, will reflect only the rating agency’s views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

**Plan of Refunding**

The proceeds of the Bonds will be used, in part, to currently refund a portion of the Town’s General Obligation Municipal Purpose Bonds of 2003 dated March 1, 2003 maturing May 15 in the years 2014 through 2021, inclusive; in the aggregate principal amount of \$1,910,000 (the “Refunded 2003 Bonds”), and to pay costs of issuance in connection therewith. The Bonds to be called are as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Cusip Number</u> 823483
5/15/14	\$250,000	EX6
5/15/15	250,000	EY4
5/15/16	250,000	EZ1
5/15/17	250,000	FA5
5/15/18	250,000	FB3
5/15/19	250,000	FC1
5/15/20	240,000	FD9
5/15/21	170,000	FE7

**Sources and Uses of Funds**

The proceeds of the sale of the Bonds are expected to be applied as follows:

<u>Sources</u>		<u>Uses</u>	
Par Amount of Bonds	\$	Deposit to Refund Outstanding Bonds	\$
Original Issue Premium		Underwriter’s Discount	
		New Money	
		Costs of Issuance	
		Additional Proceeds	
<b>Total Sources of Funds</b>	<u>\$</u>	<b>Total Uses of Funds</b>	<u>\$</u>

## **Opinion of Bond Counsel**

The unqualified approving opinion as to the validity of the Bonds will be rendered by Edwards Wildman Palmer LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated as of the date of original delivery of the Bonds and will speak only as of such date. The proposed form of legal opinion is set forth in Appendix C hereto.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth as their opinion and they make no representation that they have independently verified the same.



## THE TOWN

The Town of Sherborn (the “Town”) was incorporated in 1674 and is governed by an open town meeting form of government. The Town is located in Middlesex County, Massachusetts, approximately 18 miles southwest of Boston. Sherborn is bordered by the Towns of Framingham and Natick on the north, Millis on the south, Dover and Medfield on the east, and Ashland and Holliston on the west. The Town encompasses approximately 16.89 square miles of land area and according to the 2010 Federal Census, the Town has a population of 4,119.

### Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, a rescue squad, parks and recreation, cemeteries and a public library. All properties have individual wells and septic systems. The Town school system consists of one elementary school, while middle and senior high school education is provided by the Dover-Sherborn Regional School District. Vocational education in grades nine through twelve is provided by the Tri-County Regional Vocational Technical School District.

Principal highways serving the Town are State Routes 16 and 27. Commuter rail service to Boston is available from the neighboring Town of Natick. The Town is a member of the Massachusetts Bay Transportation Authority.

### Principal Municipal Facilities

The following is a list of the Town’s principal facilities, date built or remodeled, and the most recent assessed valuation.

<u>Facility</u>	<u>Date Built/Remodeled</u>	<u>Assessed Valuation</u>
Pine Hill Elementary	1956/1970/1990/1998	\$5,946,800
Elderly Housing (3 Bldgs.)	1983	1,957,800
Library	1972	1,972,100
Highway Department/Salt Storage Shed	1960/1986	2,910,000
Police Station	2001	2,517,000
Town Office Building	1910/1949/1984/2001	2,549,000
Community Center	1858/1991	1,018,300
Fire Station	2001	1,686,100
Refuse Transfer Station	1986	329,700
Auxiliary Fire Station	1993	675,800

### Governing Bodies and Officers

Local legislative decisions are made by an open town meeting consisting of all the registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of three selectmen, elected for staggered three-year terms and assisted by an appointed town administrator. Taxes are assessed by a board of three assessors, also elected for staggered three-year terms.

Local school affairs for grades kindergarten through five are administered by the Sherborn School Committee. The Dover-Sherborn Regional School District Committee is composed of six members, three from the Town of Dover and three from the Town of Sherborn. All are elected for staggered three-year terms within their respective communities. The Regional School District is responsible for grades six through twelve for the two communities.

## Principal Executive Officers

The following is a list of the principal executive officers in the Town.

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Selectmen, Chair	Thomas S. Twining	Elected	3 Years	2013
Selectmen, Vice-Chair	Paul R. DeRensis	Elected	3 Years	2014
Selectmen, Clerk	Peter Caruso	Elected	3 Years	2015
Town Administrator	Vacant (1)	Appointed	Contract	
Town Accountant	Ruth Hohenschau	Appointed	Undetermined	NA
Treasurer	Descom D. Hoagland, III	Elected	3 Years	2013
Tax Collector	Nancy E. Hess	Elected	3 Years	2013
Town Clerk	Carole B. Marple	Elected	3 Years	2014
Town Counsel	Petrini & Associates	Appointed	NA	NA

(1) The Town Administrator position will be filled March 5, 2013.

## Collective Bargaining

The Town has approximately 294 full and part-time employees, of whom approximately 30 percent belong to unions or other collective bargaining groups. The Town also has 46 on-call fire/rescue employees.

The following table sets forth the collective bargaining groups.

<u>Union</u>	<u>Department</u>	<u>Members</u>	<u>Contract Expires</u>
Sherborn Police Association - Local 158	Police	14	6/30/2013
AFSCME Local 335 - State Council 93	Highway	6	6/30/2013
Dover-Sherborn Education Association	School and Nurses	37	6/30/2014
Local Association	Secretaries	4	6/30/2014
Local Association	Custodians	4	6/30/2014
Local Association	Cafeteria	2	6/30/2014
Local Association	Aids	20	6/30/2014
<b>Total:</b>		<b>87</b>	

## Other Data

The following tables set forth age characteristics, income levels, housing characteristics, population trends, and employment figures for the Town of Sherborn, Middlesex County, and The Commonwealth of Massachusetts (the "Commonwealth").

### Median Age

<u>Age</u>	<u>Sherborn</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	185	4.5%	85,227	5.7%	367,252	5.6%
5 Years to 19 Years	1,097	26.7	276,480	18.5	1,262,333	19.4
20 Years to 64 Years	2,254	54.9	935,330	62.7	3,991,339	61.3
65 Years and Over	566	13.8	194,725	13.1	891,303	13.7
Total	<u>4,102</u>	<u>100.0%</u>	<u>1,491,762</u>	<u>100.0%</u>	<u>6,512,227</u>	<u>100.0%</u>
Median Age (2011 5-yr. estimates)	45		38		39	
Median Age (2000)	41.1		36.4		36.5	

Source: U.S. Department of Commerce

## Per Capita Income

Year	Sherborn		Middlesex County		Massachusetts	
	Amount	% Change	Amount	% Change	Amount	% Change
2011 5-year estimates	\$70,983	22.3%	\$41,453	32.9%	\$35,051	35.1%
1999	58,055	39.5	31,199	53.4	25,952	50.7
1989	41,614	208.8	20,343	141.1	17,224	131.0
1979	13,474	0.0	8,439	0.0	7,457	0.0
1969	-0-		-0-		-0-	
% Below Poverty Level (2011 5-year estimates)	3.5%		7.7%		10.7%	

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

## Family Income

Income for Families	Sherborn		Middlesex County		Massachusetts	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	25	2.1%	8,852	2.4%	57,867	3.6%
10,000 - 24,999	31	2.6	22,775	6.2	133,136	8.3
25,000 - 49,999	41	3.4	47,796	13.0	264,129	16.5
50,000 - 74,999	94	7.8	51,084	13.9	261,052	16.3
75,000 - 99,999	56	4.6	52,709	14.3	242,747	15.1
100,000 - 149,999	257	21.2	83,033	22.6	330,690	20.6
150,000 or more	<u>707</u>	<u>58.4</u>	<u>101,215</u>	<u>27.5</u>	<u>314,319</u>	<u>19.6</u>
Total	<u>1,211</u>	<u>100.0%</u>	<u>367,464</u>	<u>100.0%</u>	<u>1,603,940</u>	<u>100.0%</u>
Median Income	\$183,456		\$100,267		\$83,371	

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

## Household Income

Income for Households	Sherborn		Middlesex County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	45	3.1%	27,899	4.8%	164,071	6.5%
10,000 - 24,999	47	3.2	62,111	10.8	341,431	13.5
25,000 - 49,999	95	6.5	92,671	16.1	477,788	18.9
50,000 - 74,999	137	9.4	90,077	15.6	416,286	16.5
75,000 - 99,999	102	7.0	78,548	13.6	337,712	13.4
100,000 - 149,999	298	20.4	108,883	18.9	418,394	16.6
150,000 or more	<u>739</u>	<u>50.5</u>	<u>117,160</u>	<u>20.3</u>	<u>366,727</u>	<u>14.5</u>
Total	<u>1,463</u>	<u>100.0%</u>	<u>577,349</u>	<u>100.0%</u>	<u>2,522,409</u>	<u>100.0%</u>
Median Income	\$152,083		\$79,691		\$65,981	

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

## Median Value Owner-Occupied Housing Units

<u>Units</u>	<u>Sherborn</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	9	0.7%	7,142	2.0%	49,369	3.1%
100,000 - 199,999	47	3.6	18,756	5.1	189,878	11.8
200,000 - 299,999	-0-	0.0	55,607	15.2	389,385	24.3
300,000 - 499,999	168	13.0	164,251	44.9	627,185	39.1
500,000 - 999,999	776	60.2	101,870	27.8	291,521	18.2
1,000,000 or more	<u>290</u>	<u>22.5</u>	<u>18,376</u>	<u>5.0</u>	<u>57,135</u>	<u>3.6</u>
Total	<u>1,290</u>	<u>100.0%</u>	<u>366,002</u>	<u>100.0%</u>	<u>1,604,473</u>	<u>100.0%</u>
Median Value	\$746,500		\$410,100		\$343,500	

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

## Population

<u>Year</u>	<u>Sherborn</u>		<u>Middlesex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2011 5-year estimates	4,102	-0.4%	1,491,762	-0.8%	6,512,227	-0.5%
2010	4,119	-1.9	1,503,085	2.6	6,547,629	3.1
2000	4,200	5.3	1,465,396	4.8	6,349,097	5.5
1990	3,989	-1.5	1,398,468	2.3	6,016,425	4.9
1980	4,049	0.0	1,367,034	0.0	5,737,037	0.0

Source: U.S. Department of Commerce for actuals and estimates,  
Massachusetts Institute for Social & Economic Research for projections.

## Unemployment

<u>Calendar Year(1)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2012 (November)	1,899	1,838	3.2%	4.8%	6.1%	7.4%
2011	1,883	1,796	4.6	5.9	6.8	8.9
2010	1,959	1,841	6.0	7.0	8.5	9.6
2009	1,954	1,834	6.1	7.0	8.2	9.3
2008	1,946	1,879	3.4	4.3	5.3	5.8

Source: Massachusetts Department of Employment & Training  
(1) Full year averages except for 2012 which is for the month indicated.

## Principal Employers

The Town is the largest employer with approximately 294 full, part-time and seasonal employees. The only other principal employer in the Town is the Sherborn Inn, a restaurant with approximately 50 employees.

## Employment and Payrolls

<u>Employment by Industry</u>	Calendar Year Average				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Construction & Natural Resources	110	99	80	69	67
Manufacturing	-0-	-0-	-0-	-0-	-0-
Trade, Transportation & Utilities	37	26	32	32	36
Financial Activities	28	28	28	26	20
Professional & Business Services	75	74	78	120	93
Education & Health Services	19	17	16	-0-	16
Leisure & Hospitality	81	121	116	33	30
Information & Other Services	73	58	70	71	73
Public Administration	-0-	-0-	-0-	-0-	-0-
<b>Total Employment</b>	<b>624</b>	<b>624</b>	<b>614</b>	<b>651</b>	<b>655</b>
Number of Establishments	152	148	133	132	130
Total Annual Wage (000)	\$26,678	\$26,499	\$28,502	\$28,834	\$30,535
Average Weekly Wage	822	817	893	852	896

Source: Massachusetts Department of Employment & Training

## Building Permits

Below is a list of the residential building permits issued and their estimated values for the following calendar years.

	For Calendar Year				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Residential:					
Number.....	217	210	162	155	169
Value.....	\$7,351,220	\$5,306,542	\$7,564,350	\$7,194,542	\$8,290,795

## Public School Facilities

The Town operates one elementary school providing education for grades pre-kindergarten through five. The Dover-Sherborn Regional School District provides education for grades six through eight in the middle school and for grades nine through twelve in the high school.

The following tables list public school facilities and the current and projected enrollment figures for the Town:

<u>Name</u>	<u>Grade</u>	<u>Date Built</u>	<u>Added to (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment</u>
Pine Hill Elementary (1).....	K-5	1956	1970/1990/1999/2013	500	383
Dover-Sherborn Middle.....	6-8	1961	1989/1990/2002	550	246 (2)
Dover-Sherborn High.....	9-12	1968	1989/1990/2003	650	282 (2)
<b>Totals:</b>				<b>1,700</b>	<b>911</b>

(1) A portion of the proceeds from these Bonds will be used for improvements to this school.

(2) Sherborn students only.

**Public School Enrollments**

	<b>Actual(1)</b>					<b>Projected</b>	
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Elementary	478	470	432	412	382	383	353
Middle	477	516	546	525	557	527	524
High	607	595	609	596	637	646	661
<b>Totals:</b>	<u>1,562</u>	<u>1,581</u>	<u>1,587</u>	<u>1,533</u>	<u>1,576</u>	<u>1,556</u>	<u>1,538</u>

(1) Source: Massachusetts Department of Education - As of October 1, each school year.

**INDEBTEDNESS**

**Debt Limits**

The general debt limit of the Town of Sherborn consists of a normal debt limit and a double debt limit. The normal debt limit is 5.0 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize up to \$61,125,200 without state approval and up to twice this amount (\$122,250,400 – double debt limit) with the approval of the Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

**Types of Obligations**

As of February 1, 2013, the Town of Sherborn had total outstanding and authorized unissued general obligation debt of \$11,208,200 of which \$2,367,371 was not subject, and \$8,840,829 was subject; to its general debt limit. The additional debt which could be authorized within the normal 5.0 percent debt limit was \$52,284,371. The additional debt which could be authorized within the double debt limit was \$113,409,571.

Serial bonds and notes are authorized by vote of two-thirds of the town meeting. Refunding bonds and notes are authorized by the selectmen. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule or a schedule that provides for a more rapid amortization of principal than level debt service is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue (“DOR”). Serial

bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years.

Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first principal payment of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally, they must mature within two years but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

## Debt Summary

Long-Term Indebtedness (1)(2)(3)(4)	Outstanding	Authorized	Outstanding	Authorized
		Unissued	Bonds	Unissued
Within the General Debt Limit:	<u>2/1/2013</u>	<u>2/1/2013</u>	After This	Bonds After
			Issue	This Issue
Sewers & Drains .....	\$ -0-	\$ 160,000	\$ -0-	\$ 160,000 (5)
Land Acquisition .....	291,129	-0-	291,129	-0-
Schools .....	1,260,000	95,200	1,355,000	200 (6)
Other Building .....	4,801,500	1,000,000	5,179,500	622,000 (7)
Departmental Equipment .....	365,000	689,000	1,005,000	49,000 (6)
Athletic & Recreational Facilities .....	5,000	-0-	5,000	-0-
Other Inside General .....	<u>25,000</u>	<u>149,000</u>	<u>165,000</u>	<u>9,000 (6)</u>
Total Within the General Debt Limit .....	<u>\$ 6,747,629</u>	<u>\$ 2,093,200</u>	<u>\$ 8,000,629</u>	<u>\$ 840,200</u>
Outside the General Debt Limit:				
Sewers .....	\$ -0-	\$ 200,000	\$ -0-	\$ 200,000
Schools .....	2,067,371	-0-	2,067,371	-0-
Water .....	100,000	-0-	100,000	-0-
Total Outside the General Debt Limit .....	<u>\$ 2,167,371</u>	<u>\$ 200,000</u>	<u>\$ 2,167,371</u>	<u>\$ 200,000</u>
Total Long-Term Indebtedness .....	<u>\$ 8,915,000</u>	<u>\$ 2,293,200</u>	<u>\$ 10,168,000</u>	<u>\$ 1,040,200</u>
Short-Term Indebtedness				
Revenue Anticipation Notes .....	\$ -0-		\$ -0-	
Grant Anticipation Notes .....	-0-		-0-	
Bond Anticipation Notes .....	<u>1,323,200</u>	<u>3/12/2013(8)</u>	<u>-0-</u>	
Total Short-Term Indebtedness .....	<u>\$ 1,323,200</u>		<u>\$ -0-</u>	

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
- (2) At the present time the normal General Debt Limit is \$61,125,200 and the Double General Debt Limit is \$122,250,400.
- (3) \$8,915,000 has been exempted from the provisions of Proposition 2 1/2.
- (4) Excludes refunded bonds.
- (5) \$40,000 of this amount will be paid from available funds.
- (6) These balances will be paid from available funds.
- (7) \$22,000 of this amount will be paid from available funds.
- (8) Of the Notes maturing March 12, 2013, \$1,203,000 will be financed with the Bonds offered herein and \$120,200 will be paid from available funds.

## Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Amount (1) .....	\$ 8,915,000	\$ 9,990,000	\$ 11,085,000	\$ 9,650,000	\$ 10,580,000
Per Capita (2) .....	\$ 2,142.00	\$ 2,400.29	\$ 2,691.19	\$ 2,252.04	\$ 2,502.96
Percent of Assessed Valuation (3) .....	0.78%	0.88%	0.99%	0.83%	0.90%
Percent of Equalized Valuation (4) .....	0.74	0.83	0.85	0.74	0.84
Per Capita as a percent of					
Personal Income (2) per capita .....	3.02	3.38	3.79	3.17	3.53

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
- (2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.
- (3) Source: Board of Assessors - Assessed valuation as of the prior January 1.
- (4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).



## Five Years Outstanding Debt

Long-Term Indebtedness(1)	As of June 30				
	2012	2011	2010	2009	2008
<b>Within the General Debt Limit:</b>					
Land Acquisition .....	\$ 291,129	\$ 326,774	\$ 367,838	\$ 118,902	\$ 139,966
Schools .....	1,260,000	1,350,000	1,440,000	1,530,000	1,620,000
Other Building .....	4,801,500	5,338,167	5,881,411	4,344,656	4,762,901
Departmental Equipment .....	365,000	440,000	515,000	480,000	540,000
Athletic & Recreational Facilities .....	5,000	10,000	15,000	20,000	25,000
Other Inside General .....	25,000	30,000	40,000	-0-	-0-
<b>Total Within the General Debt Limit .....</b>	<b>\$ 6,747,629</b>	<b>\$ 7,494,941</b>	<b>\$ 8,259,249</b>	<b>\$ 6,493,558</b>	<b>\$ 7,087,866</b>
<b>Outside the General Debt Limit:</b>					
Schools .....	2,067,371	2,375,059	2,685,751	2,996,442	3,307,134
Water .....	100,000	120,000	140,000	160,000	185,000
<b>Total Outside the General Debt Limit .....</b>	<b>\$ 2,167,371</b>	<b>\$ 2,495,059</b>	<b>\$ 2,825,751</b>	<b>\$ 3,156,442</b>	<b>\$ 3,492,134</b>
<b>Total Long-Term Indebtedness .....</b>	<b>\$ 8,915,000</b>	<b>\$ 9,990,000</b>	<b>\$ 11,085,000</b>	<b>\$ 9,650,000</b>	<b>\$ 10,580,000</b>
<b>Short-Term Indebtedness</b>					
Revenue Anticipation Notes .....	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes .....	-0-	-0-	-0-	-0-	29,386
Bond Anticipation Notes .....	1,123,200	846,138	-0-	800,000	450,000
<b>Total Short-Term Indebtedness .....</b>	<b>\$ 1,123,200</b>	<b>\$ 846,138</b>	<b>\$ -0-</b>	<b>\$ 800,000</b>	<b>\$ 479,386</b>
<b>Total Outstanding Indebtedness .....</b>	<b>\$ 10,038,200</b>	<b>\$ 10,845,138</b>	<b>\$ 11,085,000</b>	<b>\$ 10,450,000</b>	<b>\$ 11,059,386</b>

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other-post employment benefits liability.

## Revenue Anticipation Borrowing

Revenue anticipation notes are issued to meet current expenses in anticipation of taxes and other revenues. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "Property Taxation" below.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

The following table sets forth the amounts of revenue anticipation notes issued in the following fiscal years (exclusive of refunding).

<u>Fiscal Year</u>	<u>Amount</u>
2013 to date.....	\$400,000
2012 .....	250,000
2011.....	-0-
2010.....	-0-
2009.....	650,000

## Principal Repayment Schedule

Fiscal Year	Outstanding 2/01/13(1)(2)(3)		Total Debt	Principal This Issue (3)(4)	Total Princ. Including This Issue	Cumulative % Principal Retired
	Principal	Interest				
2013	\$ 1,050,000	\$ 173,761	\$ 1,223,761	\$ -0-	\$ 1,050,000	10.3%
2014	1,035,000	309,798	1,344,798	143,000	1,178,000	21.9
2015	1,030,000	272,173	1,302,173	135,000	1,165,000	33.4
2016	1,030,000	228,023	1,258,023	135,000	1,165,000	44.8
2017	1,005,000	189,610	1,194,610	135,000	1,140,000	56.0
2018	920,000	148,535	1,068,535	125,000	1,045,000	66.3
2019	765,000	107,835	872,835	110,000	875,000	74.9
2020	470,000	78,160	548,160	110,000	580,000	80.6
2021	400,000	60,060	460,060	100,000	500,000	85.5
2022	220,000	44,850	264,850	85,000	305,000	88.5
2023	220,000	37,188	257,188	70,000	290,000	91.4
2024	220,000	29,363	249,363	40,000	260,000	94.0
2025	215,000	21,375	236,375	35,000	250,000	96.4
2026	215,000	13,400	228,400	30,000	245,000	98.8
2027	120,000	4,800	124,800	-0-	120,000	100.0
Total	\$ 8,915,000	\$ 1,718,929	\$ 10,633,929	\$ 1,253,000	\$ 10,168,000	

(1) Excludes revenue anticipation notes, grant anticipation notes, bond anticipation notes, lease and installment purchase obligations, overlapping debt and unfunded pension liability.

(2) Principal totaling \$8,915,000 and interest totaling \$1,718,929 has been exempted from the provisions of Proposition 2 1/2.

(3) Excludes refunding bonds. The refunded bonds are included in the outstanding principal as of February 1, 2013.

(4) Represents new money only.

## Overlapping Debt

In addition to direct debt, the Town is indirectly liable for a portion of the debt and other expenses incurred by various overlapping governmental authorities and agencies.

**Counties.** County expenses including debt service on county bonds are assessed upon the cities and towns within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. (The expenses of Suffolk County are borne by the City of Boston alone.) Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex county government was in part in response to default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolishes the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not to exceed or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties.

**Regional School Districts.** Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993. *The Town is a member of the Dover-Sherborn Regional School District. The other member town is the Town of Dover. The Town is also a member of the Tri-County Regional Technical School District. The other member towns in the District are Franklin, Medfield, Medway, Millis, Norfolk, North Attleborough, Plainville, Seekonk, Walpole and Wrentham.*

Massachusetts Bay Transportation Authority. The Massachusetts Bay Transportation Authority (the “MBTA”) was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth’s transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA’s enabling act, debt service as well as operating expenses of the MBTA, are to be financed by a dedicated revenues stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year. (See “Tax Limitation” under PROPERTY TAX” below.)

Other Regional Districts. Regional districts that include cities and towns, or parts thereof, may be organized under the General Laws for certain other purposes, including water pollution abatement and solid waste disposal. Regional districts have also been established under special laws for sewer and water purposes. The apportionment of operating expenses and debt service of such districts is sometimes prescribed specifically by the laws under which they are organized; for other such districts the apportionment is determined in accordance with the agreements establishing the districts.

The following table sets forth the outstanding and authorized but unissued bonded debt of each authority or agency, Sherborn’s percentage and dollar share of this outstanding debt and the Town’s fiscal year 2013 dollar assessment (1).

	Outstanding <u>2/1/2013</u>	Authorized Unissued <u>2/1/2013</u>	Estimated Share % <u>Sherborn</u>	Assessment Operations & Debt <u>FY 2013</u>
Dover-Sherborn Regional School District(2).....	\$11,175,000	\$ 90,750	(1)	\$8,256,128
Tri-County Regional Voc-Tech School District(3)	-0-	-0-	NA	55,925
Massachusetts Bay Transportation Authority.....	NA	NA	NA	(4)

- (1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.
- (2) Source: Department of Revenue, Bureau of Accounts and the Town of Sherborn. The operating expenses and debt service of the regional school are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment. For fiscal year 2013, the operating debt is calculated at 45.77% and the capital debt is calculated at 44.83%
- (3) Source: Tri-County Regional High School District. Debt is as of February 1, 2013. The operating expenses and debt service of the regional high school are apportioned among the member municipalities. The share of the member municipalities vary from year to year according to pupil enrollment.
- (4) Source: MBTA.

## PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see “Tax Limitations.” As to the inclusion of debt service and final judgments, see “Security and Remedies.” The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deducting for appropriations voted from available funds for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after the date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see “Abatements and Overlay”) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see “Taxation to Meet Deficits”).

## Tax Levy Computation

The following table reflects the calculation of tax levies for the following fiscal years.

	For Fiscal Year				
	2013	2012	2011	2010	2009
Gross Amount to be Raised:					
Appropriations .....	\$ 24,636,972	\$ 23,892,447	\$ 23,342,903	\$ 22,535,390	\$ 22,582,122
Other Local Expenditures .....	4,782	48,593	4,797	5,413	21,615
State & County Charges .....	67,905	65,178	64,866	65,430	64,983
Overlay Reserve .....	124,431	175,639	168,805	169,925	150,985
Total Gross Amount to be Raised	24,834,090	24,181,856	23,581,371	22,776,158	22,819,705
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	1,014,839	985,668	999,207	1,041,149	1,161,537
Estimated Receipts - Local .....	1,055,488	1,082,300	985,136	1,103,000	1,344,000
Available Funds Appropriated:					
Free Cash .....	325,825	325,916	444,660	459,000	642,016
Revenue Sharing .....	-0-	-0-	-0-	-0-	-0-
Other Available Funds .....	886,393	468,420	452,992	397,565	495,891
Free Cash & Other Revenue Used to Reduce the Tax Rate .....	140,681	519,016	487,135	340,000	65,749
Total Estimated Receipts & Revenue	3,423,226	3,381,320	3,369,130	3,340,714	3,709,193
Net Amount to be Raised (Tax Levy)	\$ <u>21,410,864</u>	\$ <u>20,800,537</u>	\$ <u>20,212,241</u>	\$ <u>19,435,444</u>	\$ <u>19,110,512</u>
Property Valuation .....	\$ <u>1,085,743,601</u>	\$ <u>1,141,632,087</u>	\$ <u>1,140,645,651</u>	\$ <u>1,114,417,642</u>	\$ <u>1,156,810,672</u>

Source: Massachusetts Department of Revenue.

## Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, established utility rates and certain established salaries, e.g., civil service, must legally be paid, for work actually performed, whether or not covered by appropriations.

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

## Property Tax Limitation

Chapter 59, Section 21C of the Massachusetts General Laws, also known as Proposition 2 ½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year's valuation.

This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

## Analysis of Property Tax Levies and Levy Limits

The following table reflects the calculation of levy limits for the following fiscal years.

	For Fiscal Year				
	2013	2012	2011	2010	2009
Primary Levy Limit (1) .....	\$ 27,143,590	\$ 28,540,802	\$ 28,516,141	\$ 27,860,441	\$ 28,920,267
Prior Fiscal Year Levy Limit .....	\$ 19,035,166	\$ 18,437,489	\$ 17,850,453	\$ 17,224,864	\$ 16,580,518
2.5% Levy Growth .....	476,767	461,021	446,285	430,627	414,562
New Growth (2) .....	121,868	133,321	139,808	194,760	227,834
Overrides .....	-0-	-0-	-0-	-0-	-0-
Growth Levy Limit .....	19,669,304	19,035,166	18,437,489	17,850,453	17,224,864
Debt Exclusions .....	1,803,904	1,783,480	1,818,125	1,802,296	1,896,470
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments .....	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit .....	<u>\$ 21,473,208</u>	<u>\$ 20,818,646</u>	<u>\$ 20,255,614</u>	<u>\$ 19,652,749</u>	<u>\$ 19,121,334</u>
Tax Levy .....	21,410,864	20,800,537	20,212,241	19,435,444	19,110,512
Unused Levy Capacity (3) .....	<u>\$ 62,344</u>	<u>\$ 18,109</u>	<u>\$ 43,373</u>	<u>\$ 217,305</u>	<u>\$ 10,822</u>
Unused Primary Levy Capacity (4)	\$ 7,474,286	\$ 9,505,636	\$ 10,078,652	\$ 10,009,988	\$ 11,695,403

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

(2) Allowed increase for new valuations (or required reduction) - certified by the Department of Revenue.

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

### Assessed Valuations

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value".

The following table reflects the trend in assessed valuations, equalized valuations and percentage of total assessed valuation to equalized for the following fiscal years.

	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Real Property(1) .....	\$ 1,058,655,821	\$ 1,115,627,167	\$ 1,114,254,921	\$ 1,089,567,202	\$ 1,133,709,122
Personal Property(1) .....	<u>27,087,780</u>	<u>26,004,920</u>	<u>26,390,730</u>	<u>24,850,440</u>	<u>23,101,550</u>
Total .....	<u>\$ 1,085,743,601</u>	<u>\$ 1,141,632,087</u>	<u>\$ 1,140,645,651</u>	<u>\$ 1,114,417,642</u>	<u>\$ 1,156,810,672</u>
Equalized Value(2) .....	\$ 1,222,504,000	\$ 1,209,091,300	\$ 1,209,091,300	\$ 1,305,450,000	\$ 1,305,450,000
Percent of Total Assessed to Equalized Valuation .....	88.8%	94.4%	94.3%	85.4%	88.6%

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

(2) Based on the equalized valuation in effect for each year.

### Tax Rates

The following shows the actual rates per \$1,000 of assessed valuation, and the full value rate for the most recent fiscal years:

Type of Property	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Residential .....	\$19.72	\$18.22	\$17.72	\$17.44	\$16.52
Open Space .....	19.72	18.22	17.72	17.44	16.52
Commercial .....	19.72	18.22	17.72	17.44	16.52
Industrial .....	19.72	18.22	17.72	17.44	16.52
Personal .....	<u>19.72</u>	<u>18.22</u>	<u>17.72</u>	<u>17.44</u>	<u>16.52</u>
Average Tax Rate .....	<u>\$19.72</u>	<u>\$18.22</u>	<u>\$17.72</u>	<u>\$17.44</u>	<u>\$16.52</u>
Full Value Tax Rate (1) .....	\$17.51	\$17.20	\$16.72	\$14.89	\$14.64

Source: Massachusetts Department of Revenue.

(1) Based on the equalized valuation in effect for each year.

### Classification

The following table reflects the breakdown of assessed valuation by classification for the following fiscal years.

Type of Property	Fiscal 2013		Fiscal 2012		Fiscal 2011	
	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation
Residential .....	\$ 1,032,074,310	95.1%	\$ 1,088,870,695	95.4%	\$ 1,087,926,150	95.4%
Open Space .....	-0-	0.0	-0-	0.0	-0-	0.0
Commercial .....	23,700,011	2.2	23,832,472	2.1	23,884,471	2.1
Industrial .....	2,881,500	0.3	2,924,000	0.3	2,444,300	0.2
Personal .....	<u>27,087,780</u>	<u>2.5</u>	<u>26,004,920</u>	<u>2.3</u>	<u>26,390,730</u>	<u>2.3</u>
Total	<u>\$ 1,085,743,601</u>	<u>100.0%</u>	<u>\$ 1,141,632,087</u>	<u>100.0%</u>	<u>\$ 1,140,645,651</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

## Ten Largest Taxpayers

The following is a list of the ten largest taxpayers for fiscal year 2013(1).

<u>Name</u>	<u>Nature of Business</u>	2013 Assessed <u>Valuation</u>	% of Assessed <u>Valuation</u>
NStar Electric	Utility	\$ 13,966,340	1.29%
Trust	Residential Property	5,615,500	0.52
Trust	Residential Property	5,191,400	0.48
Trust	Residential Property	4,974,700	0.46
Trust	Resident and Farm	4,903,373	0.45
Verizon New England	Utility	4,291,600	0.40
Individual	Residential Property	4,108,100	0.38
Individual	Residential Property	3,871,400	0.36
Angonquin Gas Co	Utility	3,551,900	0.33
Individual	Residential Property	3,650,900	0.34
<b>Total:</b>		<u>\$ 54,125,213</u>	<u>4.99%</u>

(1) All of the largest taxpayers listed above are current on their real estate and personal property taxes.

## Tax Levies and Collections

The taxes for each fiscal year generally are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1. The Town has not accepted a statute providing for quarterly tax payments; under that statute, preliminary tax payments are to be due on August 1, and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum from the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred an unenforced lien expires on the fourth December 31, after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table reflects the total tax levy, the reserve for abatements, the net tax levy, and the amount of levy collected during the fiscal year payable.

	For Fiscal Year				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Tax Levy .....	\$ 21,410,864	\$ 20,800,537	\$ 20,212,241	\$ 19,435,444	\$ 19,110,512
Overlay Reserve for Abatements	124,431	175,639	168,805	169,925	150,985
Net Tax Levy(1) .....	<u>\$ 21,286,433</u>	<u>\$ 20,624,898</u>	<u>\$ 20,043,436</u>	<u>\$ 19,265,519</u>	<u>\$ 18,959,527</u>
Amount Collected					
During Fiscal Year Payable(2) (3)...	\$ 10,885,301	\$ 20,481,191	\$ 19,832,890	\$ 19,010,344	\$ 18,968,405
Percent of Net Tax Levy .....	51.1%	99.3%	98.9%	98.7%	100.0%

(1) Net after deductions of overlay reserve for abatements.

(2) Actual collections of levy less refunds and amounts refundable but including proceeds of tax titles and tax possessions attributed to such levy but not including abatements or other credits.

(3) Collections for fiscal year 2013 are as of January 31, 2013.



## Taking and Sale

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the land court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a “tax possession” and may be held and disposed of like any land held for municipal purposes. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk. The following table sets forth the amount of overdue property taxes, tax titles and possessions outstanding at the end of the last five fiscal years.

	For Fiscal Year				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Aggregate(1) .....	\$ 248,934	\$ 296,732	\$ 373,768	\$347,349	\$ 339,557
For Current Year(1) .....	248,934	296,732	352,359	340,581	314,153
Tax Titles .....	112,522	62,077	62,608	123,847 (2)	31,578
Tax Possessions .....	270,601	270,600	253,916	253,916	253,916

(1) Excludes tax titles, tax possessions and abated taxes. Includes taxes in litigation, if any.

(2) Includes \$16,921 in deferred taxes under MGL Chapter 59, Section 5, Clause 41A.

## Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved as reasonable by the State Commissioner of Revenue for an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the resultant “overlay deficit” is required to be added to the next tax levy. Abatements are granted where real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus. The following table reflects the total tax levy, the reserve for abatements and the amount of abatements granted during the fiscal year of the levy.

	For Fiscal Year				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Tax Levy(1) .....	\$20,800,537	\$20,212,241	\$19,435,444	\$19,110,512	\$18,397,598
Overlay Reserve for Abatements(1)	175,639	168,805	169,925	150,985	99,445
Percent of Tax Levy .....	0.8%	0.8%	0.9%	0.8%	0.5%
Abatements Granted:					
During Fiscal Year of Levy .....	\$ 44,689	\$ 35,451	\$ 33,589	\$ 42,660	\$ 32,754

(1) Source: Massachusetts Department of Revenue.

## Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class

three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged. *The Town has not voted to accept the Community Preservation Act.*

## **ADDITIONAL INFORMATION**

### **Budget and Appropriation Process**

The annual appropriations of a town are ordinarily made at the annual meeting which takes place in February, March, April, May or June. Appropriations may also be voted at special meetings. Every town must have an appropriation, advisory or finance committee. The committee (or the board of selectmen if authorized by by-law) is required to submit a budget of proposed expenditures at the annual town meeting.

Town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is

assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the Board of Selectmen but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See “State Distributions” below.)

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See “Property Tax” above.)

### Operating Budget Trends

The following table sets forth the operating budgets for the following fiscal years as voted by the Town. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items nor supplemental budget appropriations. See “*Budget and Appropriation Process*” above. Similarly, the budgets summarized below exclude expenditures for “non-operating” or extraordinary items authorized under “special” warrant articles at special town meetings.

	Appropriated <u>Fiscal Year</u> <u>2013</u>	Appropriated <u>Fiscal Year</u> <u>2012</u>	Appropriated <u>Fiscal Year</u> <u>2011</u>
General Government.....	\$ 1,397,704	\$ 1,364,648	\$ 1,381,483
Public Safety.....	1,840,433	1,772,158	1,690,023
Education.....	15,290,445	15,057,020	14,423,156
Public Works.....	911,229	859,764	874,388
Libraries.....	390,270	384,844	381,788
Parks & Recreation.....	112,554	109,644	104,655
Debt Service.....	1,503,611	1,462,716	1,527,213
Employee Benefits.....	1,791,181	1,834,336	1,779,327
Other.....	<u>713,720</u>	<u>573,057</u>	<u>228,267</u>
<b>Totals:</b>	<b>\$ <u>23,951,147</u></b>	<b>\$ <u>23,418,187</u></b>	<b>\$ <u>22,390,300</u></b>

### Capital Improvements Program

The Town has a capital improvements program providing for annual financing of capital requests. The following is a list of capital outlay projects anticipated over the following fiscal years.

<u>Department/Project</u>	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town Buildings:					
Schools	\$ 290,000	\$ 305,000	\$ 305,000	\$ 250,000	\$ -0-
Library	-0-	2,500,000(1)	-0-	-0-	-0-
Other	100,000	-0-	-0-	-0-	-0-
Community, Maintenance & Development:					
Equipment	220,000	265,000	100,000	250,000	185,000
Fire/Rescue/Police					
Equipment	750,000	75,000	160,000	450,000	30,000
Storm Water Management	70,000	50,000	30,000	30,000	30,000
Unspecified	<u>100,000</u>	<u>200,000</u>	<u>200,000</u>	<u>300,000</u>	<u>300,000</u>
<b>Totals:</b>	<b>\$ <u>1,530,000</u></b>	<b>\$ <u>3,395,000</u></b>	<b>\$ <u>795,000</u></b>	<b>\$ <u>1,280,000</u></b>	<b>\$ <u>545,000</u></b>

(1) This amount represents the borrowing portion of an addition to the library. The project would also be funded in part by state and private donations if approved at Town Meeting.

## Retirement Plan

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that the payment in any year of the schedule is not less than 95% of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to Chapter 188 of the Acts of 2010, a system (other than the state employee's retirement system and the teacher's retirement system) which conduct an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provision and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provides that the appropriation or each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town provides pension benefits to employees by contributing to the Middlesex Retirement System (the "System"), a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Retirement System. The System provides retirement benefits, cost of living adjustments, disability benefits and death benefits. Substantially all employees of the Town are members of the System except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter

32 of the Massachusetts General Laws. The Middlesex Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Retirement System, 25 Linnell Circle, P.O. Box 160 Billerica, Massachusetts, 01865.

The annual contributions of the Town to the System for the following fiscal years are set forth below.

	<u>For Fiscal Year</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contributory.....	\$ 548,558	\$ 498,459	\$ 486,629	\$ 510,783	\$ 461,436

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

As of January 1, 2012, Sherborn's total estimated past service liability in the System was \$15,257,332, and its assets were \$7,249,105, leaving an estimated unfunded past service liability of \$8,008,227.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than 40 years. In addition, Chapter 697 contains significant financial incentives for each local government unit to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. Annual state pensions funding grants are to be provided for the first fifteen years of an approved funding schedule, beginning with the fiscal year ending June 30, 1990; the grants would be funded from designated percentages of increases in state revenues. The funding provisions for local systems are subject to local acceptance. The Town has adopted the applicable legislative provisions.

**Other Post-Employment Benefits**

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

	<u>Fiscal Year</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total.....	\$ 231,483	\$ 227,818	\$ 211,937	\$ 175,438	\$ 162,354

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the costs of the health care benefits they provide to employees and retirees may establish a trust fund for the purposes of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding this liability. The Town established an OPEB Stabilization Fund at its 2012 Annual Town Meeting and has funded it with \$400,000.

The Town has finalized its current obligation/liability for other post-employment benefits for active and retired employees following the GASB Statements 43 and 45 (including health care and life insurance) as of June 30, 2010 in the amount of \$9,861,007. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis, with payments increasing at a 4.5% per year. In the June 30, 2010 actuarial valuation the projected unit credit cost method was used. With this study, an annual required contribution (ARC) of \$689,905 for the fiscal year ending June 30, 2012 was developed. The ARC represents a level funding that, if paid on an ongoing basis is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

## **State School Building Assistance Program**

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

## **Investments**

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §§54 and 55 do not apply to city and town retirement systems.

**Contractual Obligations**

Municipal contracts are generally limited to currently available appropriations. A city or town generally has the authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There is implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

The Town of Sherborn has no significant long-term contractual obligations in excess of \$50,000 at this time that are payable from general fund revenues.

**Motor Vehicle Excise**

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers’ list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner’s operating license or registration by the registrar of motor vehicles.

The Town collects the motor vehicle excise tax from bills prepared by the Massachusetts Registry of Motor Vehicles. The following table reflects motor vehicle excise receipts for each of the last five fiscal years.

	For Fiscal Year Ending June 30				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Motor Vehicle Excise Taxes .....	\$ 699,121	\$ 662,534	\$ 649,465	\$ 677,583	\$ 656,080

Source: Massachusetts Department of Revenue - Net after refunds. Includes receipts for prior years.

**Other Taxes**

Three additional sources of revenue for local governments are the room occupancy excise tax, local meals excise tax and the aviation fuel tax. All taxes take effect only where accepted by individual municipalities. Under the room occupancy excise tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed four percent of the cost of renting such rooms. The tax is paid by the owner of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. *The Town has not voted to impose the room occupancy excise tax or the aviation fuel tax.*

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town voted to accept the local meals excise tax at the April 26, 2011 Town Meeting at the 0.75% rate. *The distribution for fiscal year 2012 was \$10,507.*

**State and Federal Aid**

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State’s personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality’s state aid entitlement is based on a number of different formulas, of which the “schools” and “lottery” formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality’s state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute, repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following reflects state receipts in each of the following fiscal years:

	<b>Fiscal Year</b>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Education Aid.....	\$ 517,063	\$ 501,653	\$ 498,762	\$ 530,098	\$ 540,677
General Government.....	204,298	190,537	206,967	217,437	327,382
Total Assessments.....	(67,905)	(65,178)	(64,866)	(65,430)	(64,983)
Less 9C Cuts.....	-	-	-	-	(26,271)
Net State Aid.....	<u>\$ 653,456</u>	<u>\$ 627,012</u>	<u>\$ 640,863</u>	<u>\$ 682,105</u>	<u>\$ 776,805</u>

The following table reflects federal receipts in each of the following fiscal years:

	<b>For Fiscal Year</b>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Federal Aid.....	\$167,630	\$230,405	\$310,617	\$126,132	\$106,492

**Free Cash**

Under Massachusetts law, an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. Free cash as of the beginning of the fiscal year, together with collections of prior years’ taxes through March 31, is available under current law for appropriation to reduce the following fiscal years’ tax levy. The following table reflects the certified free cash for the following fiscal years.

	<b>For Fiscal Year Beginning July 1</b>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Free Cash .....	\$ 854,791	\$ 1,109,546	\$ 1,416,779	\$ 1,621,955	\$ 1,218,412

Source: Massachusetts Department of Revenue.

**Undesignated General Fund and Stabilization Fund Balance**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund, appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a town at a town meeting and also at a special town meeting by a two-thirds vote for any lawful purpose. The following table reflects the Undesignated General Fund Balance and the Stabilization Fund Balance for the following fiscal years.

	<b>For Fiscal Year Ending June 30</b>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Undesignated/Unassigned Fund Balance ...	\$1,563,274 (1)	\$1,734,418 (1)	\$1,237,183	\$1,664,195	\$1,921,486
Stabilization Fund Balance .....	\$720,581 (2)	617,487	514,239	510,017	401,221

(1) The 2011 and 2012 fund balance numbers are the unassigned as extracted from the Town’s audited financial statements.

(2) The Town transferred \$300,105 to the OPEB Stabilization Fund at the April 2012 ATM.



## **Financial Statements**

Comparative balance sheets and revenues and expenditures have been extracted from the Town's financial statements for the fiscal years ending June 30, 2008 through 2012 prepared by Melanson Heath & Company, PC, Certified Public Accountants and are included as Appendix A. The Town's draft financial statements for the fiscal year ended June 30, 2012 audited by Melanson Heath & Company, PC, in entirety, is included as Appendix B. The June 30, 2012 final audit is expected to be available in the near future.

## **Litigation**

In the opinion of the Town, there is no litigation pending which, either individually or in the aggregate, is likely to result in final judgments against the Town which would materially affect the Town's financial position or its ability to pay its obligations.

TOWN OF SHERBORN,  
MASSACHUSETTS

By: /s/ Descom D. Hoagland, III  
Town Treasurer

Dated: February 15, 2013

**TOWN OF SHERBORN MASSACHUSETTS  
COMPARATIVE BALANCE SHEETS**

**APPENDIX A**

**GENERAL ACCOUNTS**

	<u>2012 (1)</u>	<u>2011 (2)</u>	<u>2010 (2)</u>	<u>2009 (2)</u>	<u>2008 (2)</u>
<b>Assets:</b>					
Cash and Short-Term Investments	\$ 5,110,777	\$ 5,976,655	\$ 5,189,070	\$ 5,110,777	\$ 4,465,999
Accounts Receivable:					
Property taxes	471,196	424,514	453,757	471,196	378,937
Excises	15,766	26,073	19,801	15,766	31,752
Departmental and Other	21,234	-	-	21,234	20,886
Intergovernmental	128,716	13,252	48,781	128,716	114,298
Due From Other Funds	58,528	-	-	58,528	333,900
<b>Total Assets</b>	<u>5,806,217</u>	<u>6,440,494</u>	<u>5,711,409</u>	<u>5,806,217</u>	<u>5,345,772</u>
<b>Liabilities:</b>					
Accounts payable	111,420	14,199	-	111,420	-
Warrants payable	276,805	607,798	439,568	276,805	252,299
Tax refunds payable		171,300	-	-	-
Deferred revenue	550403	344,605	447,618	550403	476,124
Due to other funds	2,004,335	2,076,916	1,643,259	2,004,335	1,660,067
Accrued liabilities	390,130	413,424	408,569	390,130	463,257
Notes payable	-	-	-	-	-
Other liabilities	139,663	171,514	189,673	139,663	137,687
<b>Total Liabilities</b>	<u>3,472,756</u>	<u>3,799,756</u>	<u>3,128,687</u>	<u>3,472,756</u>	<u>2,989,434</u>
<b>Fund Equity:</b>					
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	-	-	413,744	329,266	369,103
Expenditures	-	-	931,795	340,000	65,749
Unreserved:					
General Fund	-	-	1,237,183	1,664,195	1,921,486
Committed		811,445	-	-	-
Assigned		707,206	-	-	-
Unassigned		1,122,087	-	-	-
<b>Total Fund Equity</b>	<u>-</u>	<u>2,640,738</u>	<u>2,582,722</u>	<u>2,333,461</u>	<u>2,356,338</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 3,472,756</u>	<u>\$ 6,440,494</u>	<u>\$ 5,711,409</u>	<u>\$ 5,806,217</u>	<u>\$ 5,345,772</u>

(1) Extracted from the Town's draft 2012 financial statement prepared by Melanson Heath & Company, PC.

(2) Extracted from the Town's audited financial statements prepared by Melanson Heath & Company, PC.

**TOWN OF SHERBORN MASSACHUSETTS  
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**GENERAL ACCOUNTS**

	<u>2012 (1)</u>	<u>2011 (2)</u>	<u>2010 (2)</u>	<u>2009 (1)</u>	<u>2008 (2)</u>
<b>Revenues:</b>					
Property taxes	\$ 19,010,543	\$ 20,086,547	\$ 19,417,082	\$ 19,010,543	\$ 18,322,486
Excises	677,584	663,079	649,465	677,584	656,081
Penalties, interest and other taxes	72,003	71,761	96,908	72,003	77,951
Charges for services	258,818	176,922	184,847	258,818	320,275
Intergovernmental	1,953,028	2,030,772	2,030,741	1,953,028	1,779,104
Licenses and Permits	103,562	106,263	133,342	103,562	118,369
Fines and forfeitures	38,740	94,786	59,550	38,740	39,471
Investment income	74,327	14,933	21,971	74,327	167,055
Miscellaneous	25,157	94,042	55,779	25,157	229,263
<b>Total Revenues</b>	<u>22,213,762</u>	<u>23,339,105</u>	<u>22,649,685</u>	<u>22,213,762</u>	<u>21,710,055</u>
<b>Expenditures:</b>					
Current:					
General government	1,388,754	1,220,757	1,430,463	1,388,754	1,487,558
Public safety	1,635,846	1,915,183	1,747,077	1,635,846	1,666,785
Education	13,937,138	15,427,433	14,433,576	13,937,138	13,554,830
Public works	1,079,929	1,261,759	908,695	1,079,929	1,002,848
Human services	464,685	364,921	469,200	464,685	847,919
Culture & recreation	485,342	493,086	503,023	485,342	507,349
Employee benefits & Insurance	1,729,098	1,933,741	1,797,443	1,729,098	1,626,305
Miscellaneous	98,200	-	-	98,200	-
Debt Service	1,520,436	1,499,985	1,437,162	1,520,436	1,502,388
Intergovernmental	65,602	64,786	65,350	65,602	64,238
<b>Total Expenditures</b>	<u>22,405,030</u>	<u>24,181,651</u>	<u>22,791,989</u>	<u>22,405,030</u>	<u>22,260,220</u>
Excess of Revenues Over (Under) Expenditures	(191,268)	(842,546)	(142,304)	(191,268)	(550,165)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	268,391	400,952	391,565	268,391	569,695
Operating transfers out	(100,000)	(14,630)	-	(100,000)	-
<b>Total Other Financing Sources</b>	<u>168,391</u>	<u>386,322</u>	<u>391,565</u>	<u>168,391</u>	<u>569,695</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(22,877)	(456,224)	249,261	(22,877)	19,530
<b>Fund Equity, Beginning of Year</b>	<u>2,356,338</u>	<u>3,096,962</u>	<u>2,333,461</u>	<u>2,356,338</u>	<u>2,336,808</u>
<b>Fund Equity, End of Year</b>	<u>\$ 2,333,461</u>	<u>\$ 2,640,738</u>	<u>\$ 2,582,722</u>	<u>\$ 2,333,461</u>	<u>\$ 2,356,338</u>

(1) Extracted from the Town's draft 2012 financial statement prepared by Melanson Heath & Company, PC.

(2) Extracted from the Town's audited financial statements prepared by Melanson Heath & Company, PC.

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**TOWN OF SHERBORN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Sherborn, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sherborn, Massachusetts, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Sherborn's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sherborn, as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress – OPEB, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part

of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

\_\_\_\_\_, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Sherborn, we offer readers this narrative overview and analysis of the financial activities of the Town of Sherborn for the fiscal year ended June 30, 2012.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 27,043,919 (i.e., net assets), a change of \$ 235,550 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,493,866, a change of \$ 99,592 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,563,274, a change of \$ 441,187 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 8,915,000, a change of \$ (1,075,000) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 9,614,833	\$ 9,409,490
Capital assets	<u>30,614,114</u>	<u>31,201,727</u>
Total assets	40,228,947	40,611,217
Long-term liabilities outstanding	9,465,211	10,120,179
Other liabilities	<u>3,719,817</u>	<u>3,682,669</u>
Total liabilities	13,185,028	13,802,848
Net assets:		
Invested in capital assets, net	22,451,081	21,818,635
Restricted	4,100,767	3,770,635
Unrestricted	<u>492,071</u>	<u>1,219,099</u>
Total net assets	<u>\$ 27,043,919</u>	<u>\$ 26,808,369</u>

**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 986,274	\$ 967,917
Operating grants and contributions	2,726,487	2,838,507
Capital grants and contributions	246,247	341,608
General revenues:		
Property taxes	20,649,251	19,940,061
Excises	698,883	664,566
Penalties and interest on taxes	54,292	71,761
Grants and contributions not restricted to specific programs	447,364	489,422
Investment income	14,710	14,933
Other	<u>105,375</u>	<u>141,241</u>
Total revenues	25,928,883	25,470,016

(continued)

(continued)

Expenses:		
General government	1,231,791	1,382,006
Public safety	2,014,297	2,412,464
Education	16,511,045	16,120,794
Public works	2,185,890	2,313,189
Health and human services	420,982	409,410
Culture and recreation	659,507	673,332
Employee benefits	2,235,880	2,304,732
Intergovernmental	65,338	64,786
Interest on long-term debt	<u>389,267</u>	<u>431,236</u>
Total expenses	<u>25,713,997</u>	<u>26,111,949</u>
Change in net assets before permanent fund contributions	214,886	(641,933)
Permanent fund contributions	<u>20,664</u>	<u>276,307</u>
Change in net assets	235,550	(365,626)
Net assets - beginning of year	<u>26,808,369</u>	<u>27,173,995</u>
Net assets - end of year	<u>\$ 27,043,919</u>	<u>\$ 26,808,369</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 27,043,919 a change of \$ 235,550 from the prior year.

The largest portion of net assets, \$ 22,451,081 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets of \$ 4,100,767 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 492,071 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 235,550. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (39,008)
Nonmajor funds change in fund balance	138,600
Depreciation expense in excess of principal debt service	(614,112)
Fixed asset additions	1,118,907
Change in unfunded OPEB liability	(396,019)
Other	<u>27,182</u>
Total	<u>\$ 235,550</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 6,493,866, a change of \$ 99,592 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results, as disclosed below	\$ (39,008)
Nonmajor fund operating results	<u>138,600</u>
Total	<u>\$ 99,592</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 1,593,646, while total fund balance was \$ 2,601,730. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,563,274	\$ 1,122,087	\$ 441,187	6.5%
Total fund balance <sup>1</sup>	\$ 2,601,730	\$ 2,640,738	\$ (39,008)	10.7%

<sup>1</sup> Includes stabilization fund.

The total fund balance of the general fund changed by \$ (39,008) during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (959,841)
Revenues in excess of budget	362,328
Expenditures less than budget	471,938
Expenditures of prior year encumbrances	164,780
Change in stabilization fund	(197,012)
Other	<u>118,799</u>
Total	\$ <u>(39,008)</u>

Included in the total general fund balance is the Town's stabilization account with the following balances:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ 420,476	\$ 617,488	\$ (197,012)

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an increase in appropriations of \$ 384,327. This increase was funded with free cash.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year end amounted to \$ 30,614,114 (net of accumulated depreciation), a change of \$ (587,613) from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- \$ 51,260 for land purchase.
- \$ 664,273 for various machinery, equipment and vehicle purchases, including a fire pumper truck.
- \$ 282,275 for various improvements to Town roads.
- \$ (17,408) in losses on the disposal of various capital assets.
- \$ 1,689,112 in depreciation expense.

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 8,915,000, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Sherborn's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Town Accountant  
Town of Sherborn  
19 Washington Street  
Sherborn, Massachusetts 01770

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TOWN OF SHERBORN, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 6,592,405
Investments	2,375,627
Receivables, net of allowance for uncollectibles:	
Property taxes	396,814
Excises	15,163
Departmental	35,286
Intergovernmental	143,252
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	56,286
Capital assets:	
Land and construction in progress	10,538,450
Other capital assets, net of accumulated depreciation	<u>20,075,664</u>
<b>TOTAL ASSETS</b>	<b>40,228,947</b>
<b>LIABILITIES</b>	
Current:	
Warrants payable	539,432
Accrued liabilities	542,308
Tax refunds payable	319,000
Notes payable	1,123,200
Other current liabilities	82,798
Current portion of long-term liabilities:	
Bonds payable	1,050,000
Accrued employee benefits	63,079
Noncurrent:	
Bonds payable, net of current portion	7,865,000
Accrued employee benefits, net of current portion	252,314
Net OPEB liability	<u>1,347,897</u>
<b>TOTAL LIABILITIES</b>	<b>13,185,028</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	22,451,081
Restricted for:	
Grants and other statutory restrictions	987,699
Permanent funds:	
Nonexpendable	967,629
Expendable	2,145,439
Unrestricted	<u>492,071</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 27,043,919</u></b>

See notes to financial statements.



TOWN OF SHERBORN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental Activities:</b>					
General government	\$ 1,231,791	\$ 285,961	\$ 66,391	\$ -	\$ (879,439)
Public safety	2,014,297	352,323	125,814		(1,536,160)
Education	16,511,045	88,364	2,132,653	-	(14,290,028)
Public works	2,185,890	15,650	108,415	246,247	(1,815,578)
Health and human services	420,982	107,444	211,586	-	(101,952)
Culture and recreation	659,507	136,532	81,628	-	(441,347)
Employee benefits	2,235,880	-	-	-	(2,235,880)
Interest	389,267	-	-	-	(389,267)
Intergovernmental	65,338	-	-	-	(65,338)
Total Governmental Activities	<u>\$ 25,713,997</u>	<u>\$ 986,274</u>	<u>\$ 2,726,487</u>	<u>\$ 246,247</u>	(21,754,989)
		<b>General Revenues and Permanent Fund Contributions:</b>			
					20,649,251
					698,883
					54,292
					447,364
					14,710
					105,375
					<u>20,664</u>
					21,990,539
					235,550
		<b>Net Assets:</b>			
					<u>26,808,369</u>
					<u>\$ 27,043,919</u>

See notes to financial statements.

TOWN OF SHERBORN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 5,862,470	\$ 729,935	\$ 6,592,405
Investments	-	2,375,626	2,375,626
Receivables:			
Property taxes	459,324	-	459,324
Excises	25,681	-	25,681
Departmental	-	35,286	35,286
Intergovernmental	4,440	138,813	143,253
Due from other funds	419,332	2,384,763	2,804,095
<b>TOTAL ASSETS</b>	<b>\$ 6,771,247</b>	<b>\$ 5,664,423</b>	<b>\$ 12,435,670</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 539,433	\$ -	\$ 539,433
Accrued liabilities	498,865	-	498,865
Deferred revenues	400,314	174,099	574,413
Tax refunds payable	319,000	-	319,000
Due to other funds	2,329,107	474,988	2,804,095
Notes payable	-	1,123,200	1,123,200
Other liabilities	82,798	-	82,798
<b>TOTAL LIABILITIES</b>	<b>4,169,517</b>	<b>1,772,287</b>	<b>5,941,804</b>
Fund Balances:			
Nonspendable	-	967,629	967,629
Restricted	-	3,168,505	3,168,505
Committed	696,270	648,154	1,344,424
Assigned	342,186	-	342,186
Unassigned	1,563,274	(892,152)	671,122
<b>TOTAL FUND BALANCES</b>	<b>2,601,730</b>	<b>3,892,136</b>	<b>6,493,866</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,771,247</b>	<b>\$ 5,664,423</b>	<b>\$ 12,435,670</b>

See notes to financial statements.

TOWN OF SHERBORN, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

<b>Total governmental fund balances</b>	\$ 6,493,866
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> <li>• Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>	<p>30,614,114</p> <p>557,672</p> <p>(43,443)</p> <p><u>(10,578,290)</u></p>
<b>Net assets of governmental activities</b>	<u><u>\$ 27,043,919</u></u>

See notes to financial statements.

TOWN OF SHERBORN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 20,583,140	\$ -	\$ 20,583,140
Excises	699,842	-	699,842
Penalties, interest and other taxes	54,292	-	54,292
Charges for services	213,175	466,291	679,466
Intergovernmental	2,136,425	1,345,000	3,481,425
Licenses and permits	146,743	-	146,743
Fines and forfeitures	75,059	-	75,059
Investment income	11,617	(74,198)	(62,581)
Miscellaneous	95,993	157,662	253,655
<b>Total Revenues</b>	<b>24,016,286</b>	<b>1,894,755</b>	<b>25,911,041</b>
<b>Expenditures:</b>			
Current:			
General government	1,154,851	39,043	1,193,894
Public safety	1,967,663	321,115	2,288,778
Education	15,714,078	694,563	16,408,641
Public works	1,154,105	300,537	1,454,642
Health and human services	384,744	38,146	422,890
Culture and recreation	495,276	179,665	674,941
Employee benefits	1,839,861	-	1,839,861
Debt service	1,436,537	32,412	1,468,949
Intergovernmental	65,338	-	65,338
<b>Total Expenditures</b>	<b>24,212,453</b>	<b>1,605,481</b>	<b>25,817,934</b>
Excess (deficiency) of revenues over expenditures	(196,167)	289,274	93,107
<b>Other Financing Sources (Uses):</b>			
Transfers in	482,209	325,050	807,259
Transfers out	(325,050)	(475,724)	(800,774)
<b>Total Other Financing Sources (Uses)</b>	<b>157,159</b>	<b>(150,674)</b>	<b>6,485</b>
Change in fund balance	(39,008)	138,600	99,592
Fund Equity, at Beginning of Year	2,640,738	3,753,536	6,394,274
Fund Equity, at End of Year	<u>\$ 2,601,730</u>	<u>\$ 3,892,136</u>	<u>\$ 6,493,866</u>

See notes to financial statements.

TOWN OF SHERBORN, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 99,592

- Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay purchases, net of disposals	1,118,907
Depreciation	(1,689,112)
Loss on disposal of capital assets	(17,408)

- Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

38,674

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayments of debt	1,075,000
--------------------	-----------

- In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

4,682

- 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	1,234
Net OPEB liability	<u>(396,019)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 235,550

See notes to financial statements.

TOWN OF SHERBORN, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES, AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 20,624,898	\$ 20,624,898	\$ 20,624,898	\$ -
Excises	676,800	676,800	699,842	23,042
Penalties, interest and other taxes	51,000	51,000	54,292	3,292
Charges for services	162,500	162,500	213,175	50,675
Intergovernmental	980,577	980,577	1,091,909	111,332
Licenses and permits	100,000	100,000	146,743	46,743
Fines and forfeitures	82,000	82,000	75,059	(6,941)
Investment income	10,000	10,000	11,616	1,616
Miscellaneous	-	-	95,994	95,994
Other financing sources:				
Transfers in	445,634	445,634	482,209	36,575
Use of fund balance	575,514	959,841	959,841	-
<b>Total Revenues and Other Sources</b>	<b>23,708,923</b>	<b>24,093,250</b>	<b>24,455,578</b>	<b>362,328</b>
<b>Expenditures and Other Uses:</b>				
Current:				
General government	1,154,714	1,284,085	1,237,350	46,735
Public safety	1,772,158	1,979,190	1,977,161	2,029
Education	15,057,020	15,100,892	14,842,114	258,778
Public works	1,145,973	1,175,123	1,163,418	11,705
Health and human services	409,307	409,307	402,880	6,427
Culture and recreation	494,988	498,388	484,694	13,694
Employee benefits	1,974,869	1,974,869	1,843,269	131,600
Intergovernmental	65,178	65,178	65,338	(160)
Debt service	1,462,716	1,462,716	1,453,774	8,942
Other financing uses:				
Transfers out	100,000	100,000	107,812	(7,812)
Reserve fund	72,000	43,502	43,502	-
<b>Total Expenditures and Other Uses</b>	<b>23,708,923</b>	<b>24,093,250</b>	<b>23,621,312</b>	<b>471,938</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 834,266	\$ 834,266

See notes to financial statements.

# TOWN OF SHERBORN, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Sherborn (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide 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 primary government. For the most part, the effect of interfund activity has been removed from these statements.

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*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 all taxes and excises.

Fund Financial Statements

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 government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The government reports the following major governmental funds:

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized



in the general fund. Certain special revenue funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 18,109.

*G. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

*H. Capital Assets*

Capital assets, which include property, plant and equipment, are reported 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	20
Vehicles	5
Office equipment	5
Computer equipment	5

*I. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*J. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

*K. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) *Nonspendable funds* are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) *Restricted funds* are restricted to specific purposes by external constraints imposed by laws, creditors, grantors, or others outside of the Town's organization. The Town reports restricted fund balance in the special revenue funds for funds that have been created by statute or have other external constraints on how the monies held in these funds may be expended.
- 3) *Committed funds* can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest decision-making authority, which is the annual Budgetary Town Meeting. These commitments can only be established, modified, or rescinded by majority Town Meeting vote. The Town reports committed fund balance in the general fund for the encumbered, unspent portion of non-lapsing capital appropriations, as well as for stabilization funds set aside by Town Meeting vote to offset future revenue shortfalls.
- 4) *Assigned funds* are intended to be used for specific purposes as established by management. The Town reports assigned fund balance in the general fund for year-end departmental encumbrances for goods and services that have been ordered but not yet received. The Town also reports assigned fund balance for general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.
- 5) *Unassigned funds* are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

*Net Assets* - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

#### L. *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates

and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

At the annual town meeting, the Advisory Committee and the Capital Budget Committee present an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Advisory Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### **B. Budgetary Basis**

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### **C. Budget/GAAP Reconciliation**

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP).

Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 24,016,286	\$ 24,212,453
Other financing sources/uses (GAAP basis)	<u>482,209</u>	<u>325,050</u>
Subtotal (GAAP Basis)	24,498,495	24,537,503
Adjust tax revenue to accrual basis	41,758	-
To record use of free cash	959,841	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(282,147)
Add end-of-year appropriation carryforwards to expenditures	-	446,927
To reverse the effect of non-budgeted State contributions for teachers retirement	(1,041,528)	(1,041,528)
To reverse the effects of combining general and stabilization funds (GASB 54)	(2,988)	(200,000)
Other	<u>-</u>	<u>160,557</u>
Budgetary basis	<u>\$ 24,455,578</u>	<u>\$ 23,621,312</u>

**D. Deficit Fund Equity**

The following funds had deficits as of June 30, 2012:

**Special Revenue Funds:**

Federal grants	\$ (2,301)
State grants	(66,271)
Other special revenue funds	(25,589)

**Capital Project Funds:**

Highway Chapter 90 projects	(54,425)
Other capital projects	<u>(773,938)</u>
	<u>\$ (922,524)</u>

These deficits will be eliminated through future intergovernmental revenues and bond proceeds.

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts general law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2012, \$54,489 of the Town's bank balance of \$ 6,692,983 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the name of the Town.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year end for each investment of the Trustees (all federal securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>
Corporate equities	\$ 927	N/A	927	-	-	-
Equity mutual funds	951	N/A	951	-	-	-
Corporate bonds	221	N/A	\$ -	\$ -	\$ 221	\$ -
Bond mutual funds	<u>277</u>	N/A	<u>277</u>	-	-	-
Total investments	<u>\$ 2,376</u>		<u>\$ 2,155</u>	<u>\$ -</u>	<u>\$ 221</u>	<u>\$ -</u>

#### B. Custodial Credit Risk

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

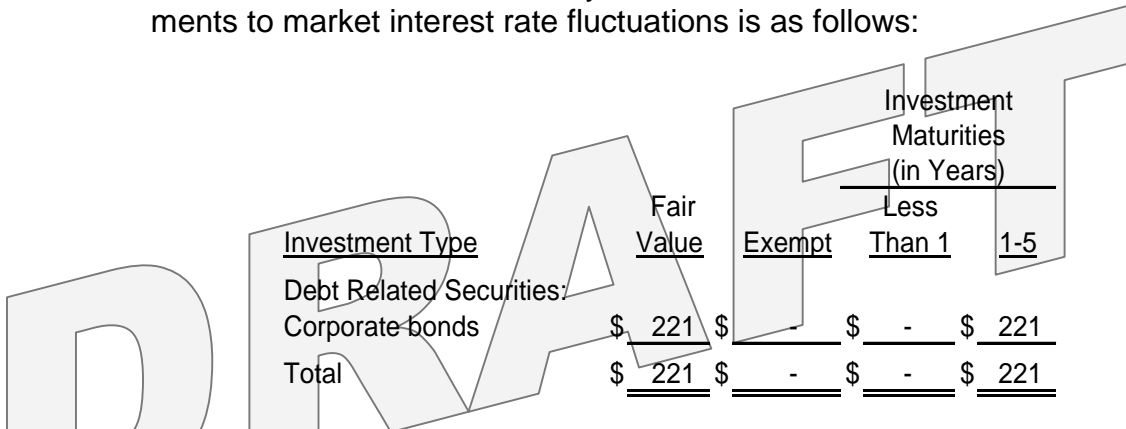
**C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:



Investment Type	Fair Value	Investment Maturities (in Years)		
		Exempt	Less Than 1	1-5
Debt Related Securities:				
Corporate bonds	\$ 221	\$ -	\$ -	\$ 221
Total	\$ 221	\$ -	\$ -	\$ 221

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semi-annual basis and are subject to penalties and interest if they are not paid by the respective due dates of November 1 and May 1. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right

to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following:

Real Estate		
2012	\$	248,934
Tax Liens		112,572
Deferred Taxes		<u>97,818</u>
Total	\$	<u><u>459,324</u></u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 6,223
Excises	\$ 10,519

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

**8. Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 419,332	\$ 2,329,107
Special Revenue Funds:	1,957,874	419,332
Capital Project Funds:	<u>426,889</u>	<u>55,656</u>
Total	\$ <u><u>2,804,095</u></u>	\$ <u><u>2,804,095</u></u>



## 9. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 15,819	\$ 58	\$ (4)	\$ 15,873
Machinery, equipment, and furnishings	6,648	695	(315)	7,028
Infrastructure	19,873	282	-	20,155
	<u>42,340</u>	<u>1,035</u>	<u>(319)</u>	<u>43,056</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(4,759)	(418)	4	(5,173)
Machinery, equipment, and furnishings	(5,375)	(330)	297	(5,408)
Infrastructure	(11,458)	(941)	-	(12,399)
	<u>(21,592)</u>	<u>(1,689)</u>	<u>301</u>	<u>(22,980)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	20,748	(654)	(18)	20,076
Capital assets, not being depreciated:				
Land	10,310	51	-	10,361
Construction in progress	144	33	-	177
	<u>10,454</u>	<u>84</u>	<u>-</u>	<u>10,538</u>
Total capital assets, not being depreciated				
Governmental activities capital assets, net	<u>\$ 31,202</u>	<u>\$ (570)</u>	<u>\$ (18)</u>	<u>\$ 30,614</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

<b>Governmental Activities:</b>	
General government	\$ 92
Public safety	277
Education	202
Public works	1,060
Health and human services	48
Culture and recreation	10
	<u>1,689</u>
Total depreciation expense - governmental activities	<u>\$ 1,689</u>

## 10. Warrants and Accounts Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law. Accounts payable represent additional 2012 expenditures paid after July 15, 2012.

**11. Deferred Revenue**

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.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**12. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

**13. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2012:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/12</u>
Bond anticipation	0.60%	03/12/12	03/12/13	\$ 746,000
Bond anticipation	0.55%	06/22/12	03/12/13	<u>377,200</u>
Total				<u>\$ 1,123,200</u>

The following summarizes activity in notes payable during fiscal year 2012:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Paydown</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 763,238	\$ -	\$ (17,238)	\$ (746,000)	\$ -
State anticipation	82,900	-	(82,900)	-	-
State anticipation	-	285,432	(285,432)	-	-
Revenue anticipation	-	250,000	(250,000)	-	-
Bond anticipation	-	746,000	-	-	746,000
Bond anticipation	-	377,200	-	-	377,200
Total	<u>\$ 846,138</u>	<u>\$ 1,658,632</u>	<u>\$ (635,570)</u>	<u>\$ (746,000)</u>	<u>\$ 1,123,200</u>

## 14. Long-Term Debt

### A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of 6/30/12</u>
Municipal bond of 2003	05/15/21	3.70%	\$ 2,165,000
Municipal bond of 2007	05/15/26	3.95%	4,740,000
Municipal bond of 2010	05/15/27	3.08%	<u>2,010,000</u>
Total Governmental Activities:			<u>\$ 8,915,000</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,050,000	\$ 347,523	\$ 1,397,523
2014	1,035,000	309,798	1,344,798
2015	1,030,000	272,173	1,302,173
2016	1,030,000	228,023	1,258,023
2017	1,005,000	189,610	1,194,610
2018 - 2022	2,775,000	439,440	3,214,440
2023 - 2027	<u>990,000</u>	<u>106,125</u>	<u>1,096,125</u>
Total	<u>\$ 8,915,000</u>	<u>\$ 1,892,692</u>	<u>\$ 10,807,692</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2012.

### C. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/12</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 9,990	\$ -	\$ (1,075)	\$ 8,915	\$ (1,050)	\$ 7,865
Other:						
Accrued employee benefits	317	2	(3)	316	(63)	253
Net OPEB obligation	<u>952</u>	<u>701</u>	<u>(305)</u>	<u>1,348</u>	<u>-</u>	<u>1,348</u>
Totals	<u>\$ 11,259</u>	<u>\$ 703</u>	<u>\$ (1,383)</u>	<u>\$ 10,579</u>	<u>\$ (1,113)</u>	<u>\$ 9,466</u>

## 15. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 16. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period,

and general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification includes general fund surplus fund balance and various special revenue and capital project deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 967,629	\$ 967,629
Total Nonexpendable	-	967,629	967,629
Restricted			
Special revenue funds	-	956,177	956,177
Bonded capital projects	-	76,396	76,396
Expendable permanent funds	-	<u>2,135,932</u>	<u>2,135,932</u>
Total Restricted	-	3,168,505	3,168,505
Committed			
Article carryforwards	275,794	-	275,794
Stabilization fund	420,476	-	420,476
Special revenue funds	-	<u>648,154</u>	<u>648,154</u>
Total Committed	696,270	648,154	1,344,424
Assigned			
Encumbrances	171,133	-	171,133
Appropriated fund balance	<u>171,053</u>	<u>-</u>	<u>171,053</u>
Total Assigned	342,186	-	342,186
Unassigned			
General fund	1,563,274	-	1,563,274
Special revenue fund deficits	-	(63,789)	(63,789)
Capital project fund deficits	<u>-</u>	<u>(828,363)</u>	<u>(828,363)</u>
Total Unassigned	<u>1,563,274</u>	<u>(892,152)</u>	<u>671,122</u>
Total Fund Balance	<u>\$ 2,601,730</u>	<u>\$ 3,892,136</u>	<u>\$ 6,493,866</u>

## 17. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts general laws include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in the subsequent year’s tax rate.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 1,563,274
Appellate Tax Board cases	<u>319,000</u>
Statutory (UMAS) Balance	<u>\$ 1,882,274</u>

**18. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

**19. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

The Town has implemented GASB Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. GASB 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32B of the Massachusetts General Laws. As of June 30, 2010, the actuarial valuation date, approximately 59 retirees and 83 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town participates in the West Suburban Health Group. Medical and prescription drug benefits are provided to all eligible retirees through a variety of plans. All active employees who retire from the Town and meet the eligibility criteria can elect to receive these benefits.

C. Funding Policy

Medicare eligible retirees contribute 50% of the cost of the health plan, as determined by the Town. Retirees who have not met Medicare eligibility continue on the active plans and contribute 30%, 28%, and 21%, depending on hire date, individual plans, and family plans until such time as they become eligible. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis. The Town also pays 50% of the retiree life insurance premium and reimburses the Medicare Part B penalty for eligible retirees and spouses.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2010.

Annual Required Contribution (ARC)	\$ 689,905
Interest on net OPEB obligation	45,214
Adjustment to ARC	<u>(33,612)</u>
Annual OPEB cost	701,507
Contributions made	<u>(305,488)</u>
Increase in net OPEB obligation	396,019
Net OPEB obligation - beginning of year	<u>951,878</u>
Net OPEB obligation - end of year	<u>\$ 1,347,897</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 701,507	43.5%	\$ 1,347,897
2011	\$ 664,422	44.2%	\$ 951,878
2010	\$ 631,612	97.9%	\$ 580,887

The Town's net OPEB obligation as of June 30, 2012 is recorded as a noncurrent liability in the Statement of Net Assets.

**E. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 9,861,007
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 9,861,007
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include tech-



niques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4.75% pay-as-you-go investment rate of return and an initial annual medical/drug cost trend rate of 10.0% which decreases to a 5% long-term rate after seven years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis, with payments increasing at 4.5% per year.

## **20. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50), *Accounting for Pensions by State and Local Government Employers*, with respect to the employees' retirement funds.

### **A. Middlesex County Retirement System - Plan Description**

The Town contributes to the Middlesex County Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan administered by the Middlesex County Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained from the Middlesex County Retirement System at 25 Linnell Circle, P.O. Box 160, Billerica, MA 01865.

### **B. Middlesex County Retirement Systems - Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. An additional 2% of regular contribution will be withheld on compensation over \$30,000 in addition to the 7% to 9% standard compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$ 548,558, \$ 498,549, and \$ 486,629, respectively, which were equal to its annual required contributions for each of these years.

C. Massachusetts Teacher Retirement System (MTRS) - Plan Description

As required by State Statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The MTRS was established under Chapter 15, Section 16 of the Massachusetts General Laws, however, Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases.

D. Massachusetts Teacher Retirement System (MTRS) – Funding Policy

The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is not required to contribute.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 1,041,528 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

21. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

22. Implementation of New GASB Standards

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town's actuarially accrued liability.

**TOWN OF SHERBORN, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2012

(Unaudited)

(Amounts Expressed in thousands)

<b>Other Post-Employment Benefits</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/07	\$ -	\$ 8,584	\$ 8,584	0.0%	N/A	N/A
06/30/10	\$ -	\$ 9,861	\$ 9,861	0.0%	N/A	N/A

See Independent Auditors' Report.

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edwardswildman.com

(Date of Delivery)

Descom D. Hoagland, III, Treasurer  
Town Sherborn  
Sherborn, Massachusetts

\$3,158,000\*  
Town of Sherborn, Massachusetts  
General Obligation Municipal Purpose Loan of 2013 Bonds  
Dated March 11, 2013

We have acted as bond counsel to the Town of Sherborn, Massachusetts (the "Town") in connection with the issuance by the Town of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws, with respect to that portion of the principal and interest payments that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the principal and interest payments that the Town has not voted to exempt from that limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of

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\* Preliminary; subject to change.

1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Wildman Palmer LLP

AM 18255826.1

**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Sherborn, Massachusetts (the “Issuer”) in connection with the issuance of its \$3,158,000\* General Obligation Municipal Purpose Loan of 2013 Bonds dated March 11, 2013 (the “Bonds”). The Issuer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

**SECTION 2. Definitions.** For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SECTION 3. Provision of Annual Reports.**

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

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\* Preliminary; subject to change.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 28, 2013 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.



8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.\*
13. 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.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond

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\* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 11, 2013

TOWN OF SHERBORN,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Selectmen

[EXHIBIT A: Filing Information for the MSRB]  
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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**PROPOSAL FOR  
\$3,158,000\*  
Sherborn, Massachusetts  
Municipal Purpose Loan of 2013 Bonds  
Bank-Qualified**

Sale Date: February 28, 2013

Descom Hoagland, Treasurer  
Sherborn, Massachusetts  
c/o Eastern Bank, Municipal Finance Department  
265 Franklin Street  
Boston, Massachusetts 02110

Dear Mr. Hoagland:

For all of \$3,158,000\* Town of Sherborn, Massachusetts, Municipal Purpose Loan of 2013 Bonds as further described in the Notice of Sale dated February 15, 2013, we bid \_\_\_\_\_ and accrued interest, if any, for each \$100 face value of bonds, bearing interest at the rate or rates per annum as follows:

<u>Year</u>	<u>Rate</u>	%	<u>Year</u>	<u>Rate</u>	%
2014.....			2021.....		
2015.....			2022.....		
2016.....			2023.....		
2017.....			2024.....		
2018.....			2025.....		
2019.....			2026.....		
2020.....					

**TERM BONDS (Optional)**

\$ \_\_\_\_\_ Term Bond maturing on May 15, \_\_\_\_\_ at \_\_\_\_\_ % per annum

\$ \_\_\_\_\_ Term Bond maturing on May 15, \_\_\_\_\_ at \_\_\_\_\_ % per annum

If Term Bond(s) are included in this bid, they shall be subject to the restrictions and mandatory redemption requirements set forth in the Notice of Sale.

The undersigned hereby acknowledges the receipt of and the opportunity to examine the Preliminary Official Statement accompanying the said Notice of Sale.

By: \_\_\_\_\_ Telephone: \_\_\_\_\_  
Address: \_\_\_\_\_ Fax: \_\_\_\_\_  
\_\_\_\_\_

The following is our computation of the net interest cost and percent true interest cost, made as provided in the above-mentioned Notice of Sale, for the purchase of \$3,158,000\* Bonds under the foregoing proposal:

**\*\*BID MUST INCLUDE A PREMIUM OF AT LEAST \$44,000**

Gross Interest Cost.....	\$ _____
Underwriters Premium.....	\$ _____
Net Interest Cost.....	\$ _____
Percent True Interest Cost.....	_____ %

(four decimals)

The Municipal Finance Department of Eastern Bank will assist in submitting bids on this issue, if desired. Please sign a blank bid form and mail to the above address or fax in advance of the sale to: (617) 235-8110; or telephone final figures to us at (617) 235-8104 or 235-8106 approximately one-half hour prior to the sale. Bidders are responsible for any error in bids submitted in this manner.

\_\_\_\_\_  
\*Preliminary, subject to change

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