

FINAL OFFICIAL STATEMENT DATED DECEMBER 14, 2015

NEW ISSUE

In the opinion of Locke Lord 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.

\$2,945,000

**TOWN OF STURBRIDGE, MASSACHUSETTS
General Obligation Municipal Purpose Loan of 2015 Bonds
Book-Entry-Only
Bank-Qualified**

Dated: December 22, 2015

Due: (As shown below)

MATURITIES, AMOUNTS, RATES AND YIELDS

<u>Due:</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due:</u> <u>July 15</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2016	\$ 230,000	5.000 %	0.50 %	2024	\$ 220,000	4.000 %	1.90 %
2017	240,000	4.000	0.75	2025	220,000	4.000	2.00
2018	235,000	4.000	0.95	2026	130,000	2.000	2.15
2019	230,000	5.000	1.10	2027	130,000	2.125	2.25
2020	235,000	5.000	1.25	2028	130,000	2.250	2.35
2021	240,000	5.000	1.43	2029	130,000	2.375	2.50
2022	225,000	3.000	1.60	2030	130,000	2.500	2.65
2023	220,000	4.000	1.80				

Principal of the Bonds will be payable on July 15 of the years in which the Bonds mature. Interest will be payable on July 15, 2016 and semi-annually thereafter on each January 15 and July 15. The Bonds maturing on and before July 15, 2025 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after July 15, 2025 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 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 legality of the Bonds will be approved by Locke Lord 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 December 22, 2015 against payment in federal reserve funds.

Fidelity Capital Markets

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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 STURBRIDGE, MASSACHUSETTS

\$2,984,000*

GENERAL OBLIGATION MUNICIPAL PUPOSE LOAN OF 2015 BONDS

Book-Entry-Only

Bank-Qualified

NOTICE OF SALE

The Town of Sturbridge, Massachusetts, will receive proposals until 11:00 A.M. (local time) on Monday, December 14, 2015, at Eastern Bank, Boston, Massachusetts, for the purchase of the following described Bonds:

\$2,984,000* General Obligation Municipal Purpose Loan of 2015 Bonds payable as follows:

<u>Due</u> <u>July 15</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>July 15</u>	<u>Principal</u> <u>Amount*</u>
2016	\$ 244,000	2024	\$ 225,000
2017	245,000	2025	220,000
2018	240,000	2026	130,000+
2019	240,000	2027	130,000+
2020	235,000	2028	130,000+
2021	235,000	2029	130,000+
2022	225,000	2030	130,000+
2023	225,000		

+ Callable maturities may be combined into Term Bonds as provided for herein.

**Preliminary, subject to change.*

The Bonds will be dated December 22, 2015. Principal on the Bonds will be payable on July 15 of the years in which the Bonds mature. Interest will be payable on July 15, 2016 and semi-annually thereafter on each January 15 and July 15.

The Bonds maturing on and before July 15, 2025 are not subject to redemption prior to their stated dates of maturity.

Bonds maturing after July 15, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after July 15, 2025 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 \$4,000*) 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 Locke Lord 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 \$55,000 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 1/8th or 1/20th of 1%, but shall not state: (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%.

**Preliminary, subject to change.*

The Town reserves the right to change the aggregate principal amount of the Bonds and the maturity schedules for the Bonds 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 after taking into account the premium received by the Town and the actual investment yield at which the proceeds of the Bonds are to be invested and (b) account for any changes in the Bonds to be refunded with a portion of proceeds of the Bonds based on the actual debt service savings to be realized by the Town. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for a series of 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, if any, but will not change the per bond underwriter's discount 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 4 P.M. on the day of the sale.

For the Bonds maturing on July 15, 2026 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two consecutive years may, in lieu of maturing in each such year, be combined to comprise a Term Bond scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule.

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 December 22, 2015, 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.

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 Barbara Barry, Treasurer, Town of Sturbridge, Massachusetts, c/o Eastern Bank, Municipal Finance Department, Third 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) 235-8102 or (617) 235-8104, at least one half hour prior to the 11:00 AM (eastern standard 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 11:00 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 therefor, 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 Locke Lord LLP (“Bond Counsel”) generally to the effect that (i) as of December 14, 2015 (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 successful 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 Locke Lord 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 therefor 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, and substantially in the form presented in Appendix D.

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 December 22, 2015 against payment in federal reserve funds.

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated December 8, 2015, 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, Third Floor, 265 Franklin Street, Boston, Massachusetts 02110, telephone: (617) 235-8102. 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 Sturbridge, Massachusetts

By: /s/ Barbara Barry, Treasurer

Dated: December 8, 2015

CONTACT INFORMATION:

ISSUER

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OFFICIAL STATEMENT
TOWN OF STURBRIDGE, MASSACHUSETTS
\$2,945,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS

BANK QUALIFIED

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Sturbridge, Massachusetts (the "Town") in connection with the sale of its \$2,945,000 General Obligation Municipal Purpose Loan of 2015 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 and interest of the Bonds are payable from taxes which may be levied without limit as to rate or amount upon all taxable property in the Town, subject to the limits imposed by Chapter 59, Section 21C of the General Laws except for the debt service on the \$1,954,000 principal amount of the Bonds to be issued for the school project which has been exempt from those limits subject to Section 20 of Chapter 44 of the General Laws. 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: Barbara Barry, Treasurer, (508) 347-2509 or Tricia Redman, Vice President, Eastern Bank, (617) 235-8102.

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

THE BONDS

Description of the Bonds

The Bonds will be dated December 22, 2015, and will bear interest payable on July 15, 2016 and semi-annually thereafter on each January 15 and July 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 July 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 each 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 (if such date is not a business day, the record date will be the next succeeding business day) 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. 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; 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 determine 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 securities deposited with it 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 of such securities 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 securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC 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 issuer of such securities or its 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 issuer of such securities or its 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 issuer of such securities or its 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 securities held by it at any time by giving reasonable notice to the issuer of such securities or its 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 DTC.

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

Optional Redemption

The Bonds maturing on and before July 15, 2025 are not subject to redemption prior to their stated dates of maturity.

Bonds maturing after July 15, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on or after July 15, 2025, 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.

Mandatory Redemption

Term Bonds, if any, shall be subject to mandatory redemptions on July 15 in the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated on the cover page of the Preliminary Official Statement at the principal amount therefor plus accrued interest to the redemption date, without premium.

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 \$2,945,000 General Obligation Municipal Purpose Loan of 2015 has been authorized as follows:

\$991,000 (the “Refunding Bonds”) are authorized under Chapter 44, Section 21A of the Massachusetts General Laws and a vote of the Town to be passed December 14, 2015 for the purpose of making a deposit to a refunding escrow account to advance refund the following bonds of the Town (the “Advanced Refunded Bonds”): the \$1,060,000 portion of the Town’s \$2,635,000 General Obligation Bonds dated June 15, 2006 and maturing in the years 2017 through 2026, including payment of the underwriter’s discount, and other costs of issuance.

\$1,954,000 School Bonds authorized pursuant to Massachusetts General Laws, Chapter 70(B) and a vote of the Town passed October 19, 2009 under Article C for the construction, reconstruction, demolition and the making of repairs and equipping of the Burgess Elementary School. A total of \$46,926,630 was authorized by said vote. The total project costs are \$32,685,645. The Town received a grant from the Massachusetts School Building Authority (“MSBA”) in the amount of \$14,958,645 and the Town’s share is \$17,727,000. *On October 26, 2009, the Town voted to exclude the debt service on this portion of the Bonds from the annual tax limitations (Proposition 2 ½) imposed by Massachusetts General Laws, Chapter 59, Section 21C.* On February 15, 2011 the Town issued \$9,000,000, on February 15, 2012 the Town issued \$6,700,500 in Bonds for this project and \$72,000 in available cash was paid October 15, 2015. \$2,563,053 in outstanding bond anticipation notes will be retired with a \$1,954,000 portion of bond proceeds and \$609,053 in MSBA grants.

Plan of Refunding

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement (the “Refunding Escrow Agreement”) with U.S. Bank National Association, as Refunding Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Refunding Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount that will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America (“Government Obligations”) maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium (if any) on, the refunded Bonds. The Refunding Escrow Fund, including the interest earning on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the arithmetical and mathematical computations (a) of the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested cash, if any, to pay, when due, the principal of, redemption premium and interest on the Advanced Refunded Bonds, and (b) relating to the determination of compliance with the regulations and rulings promulgated under the Internal Revenue Code of 1986, as amended, will be verified by Causey, Demgen and Moore, Inc., independent Certified Public Accountants. The verification of arithmetical accuracy and mathematical computations will be based upon information and assumptions supplied by the Underwriter and upon the interpretation of the Code provided by Bond Counsel.

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	\$2,945,000.00	Project Fund Deposit	\$1,954,000.00
Net Premium	270,939.35	Refunding Escrow Deposit Cash	0.68
		SLGS Purchases	1,081,285.00
		Cost of Issuance	53,148.75
		Underwriter's Discount	15,407.50
		Additional Proceeds	112,097.42
Total Sources of Funds	<u>\$3,215,939.35</u>	Total Uses of Funds	<u>\$3,215,939.35</u>

Tax Exemption

In the opinion of Locke Lord 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. In the last five years, the Town believes it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

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: Barbara Barry, Treasurer, Town of Sturbridge, Town Hall, Sturbridge, MA 01566; (508) 347-2509.

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.

Financial Advisor

Eastern Bank, Boston, Massachusetts acts as financial advisor to the Town.

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Bonds will be rendered by Locke Lord 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 Bond Counsel makes no representation that they have independently verified the same.

THE TOWN

The Town of Sturbridge (the “Town”) was incorporated in 1738 and occupies a land area of approximately 37.41 square miles. It is located in Worcester County (the “County”) approximately 45 miles southwest of Boston. Sturbridge is bordered by the Towns of Brookfield and East Brookfield on the north, Charlton and Southbridge on the east, the State of Connecticut on the south and the Towns of Holland and Brimfield on the west. The present population as estimated by the Town is 9,700 according to the Local Census.

Old Sturbridge Village, located in the Town, is a major New England tourist attraction drawing over 260,000 visitors each year. Old Sturbridge Village is the largest history museum in the Northeast. The Village is a living history museum where the life, work and celebrations of an 1830’s rural New England community are re-created year round.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of solid waste, sewer and water services, public works, a library and recreation facilities. The Town also provides public school education in grades kindergarten through six and is a member of the Tantasqua Regional School District for education in grades seven through twelve. The other participating member towns are the Towns of Brimfield, Brookfield, Holland and Wales.

The Worcester Regional Transit Authority provides transportation throughout the County. The principal highways serving the Town are U.S. Route 20, Interstate Routes 90 (the Massachusetts Turnpike) and 84, and State Routes 131 and 148.

Principal Municipal Facilities

The following is a list of the Town’s principal facilities, date built or remodeled, and the fiscal 2016 assessed valuations.

<u>Facility</u>	<u>Date Built (Remodeled)</u>	<u>Assessed Valuation</u>
Burgess Elementary School(1)	1946(1972)(2011/2012)	\$26,219,500
Public Safety Complex	1989	3,116,500
Sewer Plant	1970 (2013)	1,886,600
Senior Center	1850 (2000)	530,600
Library	1897 (1989)	1,048,200
Water Department	1965	708,600
Brookfield Road	1940	296,200
Town Hall	1850 (2009)	1,442,500
Sturbridge Nursery School	1920	264,800
Center School Building	1850(1938)(2000)(2009)	1,153,100

(1) A portion of the Bonds are being issued to pay costs of reconstructing this school. The Town received a grant from the Massachusetts School Building Authority of 57.92% of total eligible project costs. The total project cost was \$32,685,645 and the Town’s share is \$17,727,000.

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 five selectmen, assisted by a Town Administrator.

Local school affairs are administered by a school committee of five persons while local taxes are assessed by a board of three assessors all elected for staggered three-year terms on an at-large basis.

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>
Chairman, Board of Selectmen	Mary Blanchard	Elected	3 Years	2017
Selectman	Craig Moran	Elected	3 Years	2018
Selectman	Mary Dowling	Elected	3 Years	2016
Selectman	Michael Suprenant	Elected	3 Years	2018
Selectman	Priscilla Gimas	Elected	3 Years	2017
Town Administrator	Leon Gaumond Jr.	Appointed	Indefinite	Indefinite
Finance Director	Barbara Barry	Appointed	3 Years	2017
Town Accountant	Christopher Geraghty	Appointed	3 Years	2017
Assessor	Paul Murphy	Elected	3 Years	2016
Assessor	Sophia Lengyel Rogers	Elected	3 Years	2017
Assessor	Jessica Brigham	Appointed	1 Year	2016
Town Clerk	Lorraine Murawski	Elected	3 Years	2016
Superintendent of Schools	Erin Nosek	Appointed	5 Years	2017
Director of Public Works	Gregory Morse	Appointed	3 Years	2017
Town Counsel	Kopelman & Paige	Appointed	1 Year	2016

Collective Bargaining

Employees of Massachusetts municipalities have certain organizational and representational rights, which include the right to organize, to bargain collectively by representatives of their choice on questions of wages, hours and other terms and conditions of employment, and to engage in lawful concerted activities for bargaining or other mutual aid or protection. Under Massachusetts law, strikes by municipal employees are prohibited. The Town has approximately 340 employees of whom approximately 57% (percent) belong to unions or other collective bargaining groups. The following table sets forth the collective bargaining groups.

<u>Union</u>	<u>Department</u>	<u>Members</u>	<u>Contract Expires</u>
International Brotherhood of Teamsters, Local #170	Fire	20	6/30/2015 (1)
Sturbridge Police Association	Police	21	6/30/2017
Sturbridge Teachers Association	School	88	6/30/2017
Sturbridge Educational Support Personnel Association	School	53	6/30/2016
Service Employees International Union Local #888	DPW	10	6/30/2016
Total:		<u>192</u>	

(1) In negotiations.

Other Data

The following tables set forth age characteristics, income levels, housing characteristics, population trends, and employment figures for the Town of Sturbridge, Worcester County, and The Commonwealth of Massachusetts.

Population

<u>Year</u>	<u>Sturbridge</u>			<u>Worcester County</u>			<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>		<u>Number</u>	<u>% Change</u>		<u>Number</u>	<u>% Change</u>
2013 estimate	9,407	1.5 %		809,106	1.3 %		6,692,824	2.2 %
2010	9,268	18.3		798,552	6.3		6,547,629	3.1
2000	7,837	0.8		750,963	5.8		6,349,097	5.5
1990	7,775	30.5		709,705	9.8		6,016,425	4.9
1980	5,959	0.0		646,352	0.0		5,737,037	0.0

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

Median Age

Age	Sturbridge			Worcester County			Massachusetts	
	Number	Percent		Number	Percent		Number	Percent
Under 5 Years	597	6.4	%	46,070	5.7	%	366,296	5.5 %
5 Years to 19 Years	1,782	19.1		162,983	20.3		1,250,186	18.9
20 Years to 64 Years	5,384	57.9		488,218	60.8		4,054,796	61.4
65 Years and Over	1,543	16.6		105,417	13.1		933,780	14.1
Total	<u>9,306</u>	<u>100.0</u>	%	<u>802,688</u>	<u>100.0</u>	%	<u>6,605,058</u>	<u>100.0</u> %
Median Age	43			39			39	
Median Age (2000)	39.3			36.3			36.5	

Source: U.S. Department of Commerce

Median Value Owner-Occupied Housing Units

Units	Sturbridge			Worcester County			Massachusetts	
	Number	Percent		Number	Percent		Number	Percent
Less than \$100,000	179	6.1	%	9,060	4.6	%	63,391	4.0 %
100,000 - 199,999	429	14.6		45,202	22.9		216,024	13.6
200,000 - 299,999	1,017	34.5		70,295	35.7		400,460	25.3
300,000 - 499,999	1,096	37.2		56,734	28.8		581,528	36.7
500,000 - 999,999	224	7.6		14,365	7.3		269,517	17.0
1,000,000 or more	<u>-0-</u>	<u>0.0</u>		<u>1,331</u>	<u>0.7</u>		<u>54,339</u>	<u>3.4</u>
Total	<u>2,945</u>	<u>100.0</u>	%	<u>196,987</u>	<u>100.0</u>	%	<u>1,585,259</u>	<u>100.0</u> %
Median Value	\$ 286,300			\$ 259,200			\$ 330,100	

Source: U.S. Department of Commerce

Per Capita Income

Year	Sturbridge			Worcester County			Massachusetts	
	Amount	Change %		Amount	Change %		Amount	Change %
2013 5-year estimates	\$36,709	43.6	%	\$31,537	37.2	%	\$35,763	37.8 %
1999	25,559	53.6		22,983	48.3		25,952	50.7
1989	16,642	106.3		15,500	124.4		17,224	131.0
1979	8,067	0.0		6,908	0.0		7,457	0.0
1969	-0-			-0-			-0-	
% Below Poverty Level (2013 5-year estimates)	8.3	%		11.2	%		11.4	%

Source: U.S. Department of Commerce

Family Income

Income for Families	Sturbridge			Worcester County			Massachusetts	
	Families	Percent		Families	Percent		Families	Percent
Less than \$10,000	141	5.4	%	6,915	3.4	%	58,546	3.6 %
10,000 - 24,999	84	3.2		16,599	8.2		133,530	8.3
25,000 - 49,999	297	11.3		34,130	17.0		262,275	16.3
50,000 - 74,999	489	18.7		34,486	17.1		254,762	15.9
75,000 - 99,999	431	16.5		31,108	15.5		230,134	14.3
100,000 - 149,999	486	18.6		42,267	21.0		329,489	20.5
150,000 or more	<u>689</u>	<u>26.3</u>		<u>35,708</u>	<u>17.7</u>		<u>338,346</u>	<u>21.1</u>
Total	<u>2,617</u>	<u>100.0</u>	%	<u>201,213</u>	<u>100.0</u>	%	<u>1,607,082</u>	<u>100.0</u> %
Median Income	\$ 93,799			\$ 81,519			\$ 84,900	

Source: U.S. Department of Commerce

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>	
2015 (August)	5,086	4,852	4.6 %	4.8 %	4.5 %	5.2 %	
2014	5,001	4,725	5.5	6.2	5.8	6.2	
2013	4,925	4,605	6.5	7.3	6.7	7.4	
2012	4,882	4,570	6.4	7.2	6.7	8.1	
2011	4,874	4,541	6.8	7.8	7.2	8.9	

Source: Massachusetts Department of Employment & Training

(1) Full year averages except for 2015 which is for the month indicated.

Principal Employers

The Town is the largest employer with approximately 340 employees. The other principal employers are set forth below:

<u>Company</u>	<u>Nature of Business</u>	<u>Employees</u>
Venture	Human Resources	208
Wal-Mart	Retail Store	200
Old Sturbridge Village	Living Museum	216
Publick House	Restaurant/Inn	174
Sturbridge Host Hotel	Restaurant/Inn	140
Stop & Shop	Supermarket	148
OFS Fitel	Fiber-Optics	118
Shaw's Supermarket	Supermarket	115
Arland Tool	Tool & Die	84
G&F Industries	Plastic Mold Injection	63
ALSCO	Manufacturing	50

Employment and Payrolls

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Construction & Natural Resources	92	81	73	66	77
Manufacturing	523	517	525	518	502
Trade, Transportation & Utilities	1,248	1,205	1,199	1,273	1,150
Financial Activities	169	168	160	147	154
Professional & Business Services	371	334	275	284	299
Education & Health Services	888	871	792	821	788
Leisure & Hospitality	1,300	1,313	1,250	1,260	1,212
Information & Other Services	131	134	152	131	136
Public Administration	-0-	-0-	-0-	-0-	-0-
Total Employment	<u>5,026</u>	<u>4,908</u>	<u>4,700</u>	<u>4,754</u>	<u>4,596</u>
Number of Establishments	352	340	334	347	339
Total Annual Wage (000)	\$ 178,407	\$ 169,516	\$ 155,755	\$ 152,044	\$ 145,896
Average Weekly Wage	683	664	637	615	610

Source: Massachusetts Department of Employment & Training

Building Permits

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

	For Calendar Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Residential:					
Number.....	366	378	417	464	391
Value.....	\$ 3,851,902	\$ 4,148,147	\$ 9,773,911(1)	\$ 5,238,858	\$ 5,983,536
Non-Residential:					
Number.....	105	6	17	20	14
Value.....	\$ 7,050,715	\$ 2,681,964	\$ 2,985,356	\$ 3,926,000	\$ 1,541,010

(1) Includes three new subdivisions.

Public School Facilities

The Town presently operates one elementary school (pre-school through grade six) and is a member of the Tantasqua Regional School District (the "District") for grades seven through twelve. The following tables list the public school facilities, current and projected enrollment figures for the Town, and the student-teacher ratios for the Town and the District.

<u>Name</u>	<u>Grade</u>	<u>Date</u> <u>Built</u>	<u>Added to</u> <u>(Remodeled)</u>	<u>Capacity</u>	<u>Current</u> <u>Enrollment</u>
Burgess Elementary School (1)	Pre-6	1946	1972/2011/2012	900	970
Totals:				<u>900</u>	<u>970</u>

(1) As of October 1, 2015.

	<u>Actual(1)(2)</u>					<u>Projected</u>	
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2017-18</u>	<u>2018-19</u>
Burgess Elementary School	950	957	977	982	970	935	925

(1) Bonds currently being offered herein are being issued in connection with this school.

(2) As of October 1 each year.

The Tantasqua Regional School District provides public education in grades seven through twelve to students from the Towns of Sturbridge, Brimfield, Brookfield, Holland and Wales. The following table lists the school facilities, capacity and current enrollment figures for the Tantasqua Regional School District.

<u>Name</u>	<u>Grade</u>	<u>Capacity</u>	<u>Current</u> <u>Enrollment</u>
Tantasqua Junior High School	7-8	800	555 (1)
Tantasqua Senior High School	9-12	1,500	1,247 (2)
Totals:		<u>2,300</u>	<u>1,802</u>

(1) 243 represent Sturbridge only.

(2) 472 represent Sturbridge only.

Public School Student – Teacher Ratios

Elementary - 20:1 (1) Middle - 21:1 (1) High - 24:1 (1)

(1) Ratios represent regular classroom instruction. Upon factoring specialist and special education classrooms, ratios become 12.7:1 for elementary and 13.5:1 for secondary.

INDEBTEDNESS

Debt Limits

The general debt limit of the Town 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 debt in an aggregate amount up to \$56,917,315 without state approval and up to twice this amount (\$113,834,630 – double debt limit) with the approval of the Municipal Finance Oversight Board (the “MFOB”) 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.

As of November 15, 2015, the aggregate amount of the Town’s total outstanding debt and its authorized unissued general obligation debt was \$49,478,176 of which the aggregate amount of \$42,518,176 was outside of its general debt limit, and \$6,960,000 was subject to its general debt limit. The additional debt which could be authorized within the normal 5.0 percent debt limit was \$49,957,315. The additional debt which could be authorized within the double debt limit was \$106,874,463.

Serial bonds and notes, including refunding bonds, are authorized by vote of two-thirds of all the members of the town council. 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 town manager.

Types of Obligations

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 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. 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 required annual payment of principal 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 of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the MFOB, 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.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth’s Water Pollution Abatement or Drinking Water revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State department of Telecommunications and Energy.

Debt Summary

	Outstanding 10/15/2015	Authorized Unissued Bonds 10/15/2015	Outstanding Bonds After This Issue	Authorized Unissued Bonds After This Issue
Long-Term Indebtedness (1)(2)(3)(4)				
Within the General Debt Limit:				
Sewers & Drains (5).....	\$ 1,940,000	\$ 300,000	\$ 1,940,000	\$ 300,000
Land Acquisition (6).....	1,270,000	-0-	1,270,000	-0-
Schools	35,000	-0-	35,000	-0-
Other Building	3,415,000	-0-	3,415,000	-0-
Total Within the General Debt Limit	<u>\$ 6,660,000</u>	<u>\$ 300,000</u>	<u>\$ 6,660,000</u>	<u>\$ 300,000</u>
Outside the General Debt Limit:				
Sewers (5).....	\$ 16,908,760	\$ -0-	\$ 16,908,760	\$ -0-
Schools	12,895,000	6,567,993	14,849,000	4,613,993 (7)
Water (5).....	6,146,423	-0-	6,146,423	-0-
Total Outside the General Debt Limit	<u>\$ 35,950,183</u>	<u>\$ 6,567,993</u>	<u>\$ 37,904,183</u>	<u>\$ 4,613,993</u>
Total Long-Term Indebtedness	<u>\$ 42,610,183</u>	<u>\$ 6,867,993</u>	<u>\$ 44,564,183</u>	<u>\$ 4,913,993</u>
	Outstanding 10/15/2015		Outstanding After This Issue	Maturity
Short-Term Indebtedness				
Revenue Anticipation Notes	\$ -0-		\$ -0-	
Grant Anticipation Notes	-0-		-0-	
Temporary Note	2,563,063		-0-	12/22/2015
Total Short-Term Indebtedness	<u>\$ 2,563,063</u>		<u>\$ -0-</u>	

- Footnotes continued from previous page -

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension liability.
 (2) At the present time the normal General Debt Limit is \$56,917,315 and the Double General Debt Limit is \$113,834,630.
 (3) \$12,895,000 has been exempted from the provisions of Proposition 2 1/2.
 (4) Excludes refunding bonds
 (5) All water and sewer debt is paid for through water and sewer fees.
 (6) All land acquisition debt is CPA and is self-supporting, paid through Town's 3% surcharge.
 (7) This amount represents Massachusetts School Building Authority grants and is not expected to be issued.

Five Years Outstanding Debt

	As of June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Sewers & Drains	\$ 1,940,000	\$ 2,250,000	\$ 2,565,000	\$ 2,880,000	\$ 3,183,000
Land Acquisition	1,370,000	1,580,000	1,790,000	2,000,000	2,210,000
Schools	35,000	70,000	110,000	150,000	191,000
Other Building	3,665,000	3,915,000	4,165,000	4,420,000	4,675,000
Departmental Equipment	-0-	50,000	120,000	200,000	339,000
Total Within the General Debt Limit	<u>\$ 7,010,000</u>	<u>\$ 7,865,000</u>	<u>\$ 8,750,000</u>	<u>\$ 9,650,000</u>	<u>\$ 10,598,000</u>
Outside the General Debt Limit:					
Sewers	17,930,585	19,182,441	20,414,339	21,210,628	13,000,000
Schools	12,895,000	13,680,000	14,465,000	15,250,500	9,000,000
Water	6,191,889	6,528,625	6,868,679	7,207,617	5,846,000
Total Outside the General Debt Limit	<u>\$ 37,017,474</u>	<u>\$ 39,391,066</u>	<u>\$ 41,748,018</u>	<u>\$ 43,668,745</u>	<u>\$ 16,146,000</u>
Total Long-Term Indebtedness	<u>\$ 44,027,474</u>	<u>\$ 47,256,066</u>	<u>\$ 50,498,018</u>	<u>\$ 53,318,745</u>	<u>\$ 38,444,000</u>
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes	-0-	-0-	-0-	-0-	-0-
Bond Anticipation Notes	2,563,053	2,530,000	2,000,000	-0-	-0-
Total Short-Term Indebtedness	<u>\$ 2,563,053</u>	<u>\$ 2,530,000</u>	<u>\$ 2,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Total Outstanding Indebtedness	<u>\$ 46,590,527</u>	<u>\$ 49,786,066</u>	<u>\$ 52,498,018</u>	<u>\$ 53,318,745</u>	<u>\$ 38,444,000</u>

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

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Amount (1)	\$ 44,027,474	\$ 47,256,066	\$ 50,498,018	\$ 53,318,745	\$ 38,444,000
Per Capita (2)	4,680.29	5,023.50	5,368.13	5,702.54	4,133.76
Percent of Assessed Valuation (3)	3.96%	4.45%	4.56%	4.74%	3.31%
Percent of Equalized Valuation (4)	3.87	3.88	4.15	3.93	2.84
Per Capita as a percent of					
Personal Income (2) per capita	12.75	13.68	14.62	15.53	11.26

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt and unfunded pension 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).

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 Tax” below.) In any event, the period from an original borrowing to its final maturity cannot exceed one year. *The Town has not borrowed in anticipation of revenue in the past five fiscal years.*

Annual Debt Service

Fiscal Year	Outstanding as of 10/15/15(1)(2)(3)(4)(5)		Total Debt Service	Principal This Issue	Total Princ. Including This Issue	Cumulative % Principal Retired
	Principal	Interest				
2016	\$ 1,778,018	\$ 1,011,721	\$ 2,789,739	\$ -0-	\$ 1,778,018	4.0 %
2017	3,162,680	1,236,059	4,398,739	134,000	3,296,680	11.4
2018	3,080,777	1,123,405	4,204,182	130,000	3,210,777	18.6
2019	3,008,979	1,026,728	4,035,707	130,000	3,138,979	25.6
2020	2,784,561	934,483	3,719,044	130,000	2,914,561	32.2
2021	2,631,408	852,436	3,483,844	130,000	2,761,408	38.4
2022	2,638,778	772,589	3,411,367	130,000	2,768,778	44.6
2023	2,366,556	694,873	3,061,429	130,000	2,496,556	50.2
2024	2,379,752	622,854	3,002,606	130,000	2,509,752	55.8
2025	2,398,380	551,907	2,950,287	130,000	2,528,380	61.5
2026	2,417,448	478,327	2,895,775	130,000	2,547,448	67.2
2027	2,216,967	404,311	2,621,278	130,000	2,346,967	72.5
2028	2,236,950	335,223	2,572,173	130,000	2,366,950	77.8
2029	2,257,408	264,797	2,522,205	130,000	2,387,408	83.1
2030	2,188,353	194,653	2,383,006	130,000	2,318,353	88.3
2031	2,009,799	129,428	2,139,227	130,000	2,139,799	93.1
2032	1,090,860	84,439	1,175,299		1,090,860	95.6
2033	690,952	61,837	752,789		690,952	97.1
2034	145,125	50,700	195,825		145,125	97.5
2035	148,809	44,916	193,725		148,809	97.8
2036	152,641	38,983	191,624		152,641	98.1
2037	156,626	32,898	189,524		156,626	98.5
2038	160,770	26,653	187,423		160,770	98.9
2039	165,080	20,243	185,323		165,080	99.2
2040	169,563	13,660	183,222		169,563	99.6
2041	172,943	6,897	179,841		172,943	100.0
Total	\$ 42,610,183	\$ 11,015,020	\$ 53,625,203	\$ 1,954,000	\$ 44,564,183	

(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 \$12,895,000 and interest totaling \$3,753,981 has been exempted from the provisions of Proposition 2 1/2.

(3) All principal funded through water and sewer user fees, CPA surcharge or debt exclusion.

(4) Excludes subsidies from the Massachusetts Clean Water Trust.

(5) Excludes the refunding bonds.

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

	Outstanding <u>6/30/15</u>	Authorized Unissued <u>6/30/15</u>	Estimated Share % <u>Sturbridge</u>	Assessment for Operations & Debt Service <u>FY 2016</u>
Tantasqua Regional School District(2)	\$17,820,000	\$-0-	48.01 %	\$6,102,374

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Tantasqua Regional School District. Debt is as of June 30, 2015. The operating expenses and debt service of the regional school district are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment. The amount of outstanding debt does not include the impact of anticipated reimbursements that the School District expects to receive from the School Building Assistance Authority of the Commonwealth. The School District anticipates reimbursement for 73% of the principal and interest over the life of the related bond issue.

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 Tantasqua Regional School District. The District had \$17,820,000 of outstanding debt of which Sturbridge's percentage share was 48.01%. The Town was assessed \$6,102,374 for its share of operations in fiscal year 2016. The other member towns are the Towns of Brimfield, Brookfield, Holland and Wales.*

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*”).

The voters of the Town elected to implement the CPA, with a 3% surcharge on all real estate tax bills. *The balance of the Town’s CPA funds at June 30, 2015 was \$1,990,691 (see “Community Preservation Act” herein).*

Tax Levy Computation

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

	For Fiscal Year				
	2016	2015	2014	2013	2012
Gross Amount to be Raised:					
Appropriations	\$ 37,521,991	\$ 35,694,576	\$ 33,991,226	\$ 33,695,548	\$ 30,780,351
Other Local Expenditures	671,004	616,437	642,989	67,452	240,795
State & County Charges	141,429	157,423	158,741	143,284	200,916
Overlay Reserve	200,046	195,300	219,902	156,417	139,908
Total Gross Amount to be Raised	38,534,469	36,663,737	35,012,858	34,062,701	31,361,970
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	4,432,936	3,983,794	3,778,587	3,657,883	3,176,762
Estimated Receipts - Local	9,849,489	7,984,757	7,376,391	6,541,053	6,465,152
Available Funds Appropriated:					
Free Cash	969,830	1,733,415	453,740	1,069,154	378,985
Revenue Sharing	-0-	-0-	-0-	-0-	-0-
Other Available Funds	1,213,436	1,309,660	2,161,055	2,178,118	1,422,824
Free Cash & Other Revenue Used to Reduce the Tax Rate	250,000	250,000	320,437	16,637	86,626
Total Estimated Receipts & Revenue	16,715,691	15,261,626	14,090,210	13,462,845	11,530,349
Net Amount to be Raised (Tax Levy)	\$ <u>21,818,778</u>	\$ <u>21,402,110</u>	\$ <u>20,922,648</u>	\$ <u>20,599,856</u>	\$ <u>19,831,621</u>
Property Valuation	\$ <u>1,135,803,129</u>	\$ <u>1,112,375,798</u>	\$ <u>1,062,980,401</u>	\$ <u>1,107,961,245</u>	\$ <u>1,124,879,241</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.

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				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Primary Levy Limit (1)	\$ 28,395,078	\$ 27,809,395	\$ 26,574,510	\$ 27,699,031	\$ 28,121,981
Prior Fiscal Year Levy Limit	\$ 20,713,056	\$ 19,956,529	\$ 19,154,432	\$ 18,416,031	\$ 17,804,473
2.5% Levy Growth	517,826	498,913	478,861	460,401	445,112
New Growth (2)	236,004	257,614	323,236	278,000	166,446
Overrides	-0-	-0-	-0-	-0-	-0-
Growth Levy Limit	21,466,886	20,713,056	19,956,529	19,154,432	18,416,031
Debt Exclusions	1,593,216	1,613,592	1,706,380	1,840,365	1,419,096
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit	\$ <u>23,060,102</u>	\$ <u>22,326,648</u>	\$ <u>21,662,909</u>	\$ <u>20,994,797</u>	\$ <u>19,835,127</u>
Tax Levy	<u>21,818,778</u>	<u>21,402,110</u>	<u>20,922,648</u>	<u>20,599,856</u>	<u>19,831,621</u>
Unused Levy Capacity (3)	\$ <u>1,241,324</u>	\$ <u>924,538</u>	\$ <u>740,261</u>	\$ <u>394,941</u>	\$ <u>3,506</u>
Unused Primary Levy Capacity (4)	\$ 6,928,192	\$ 7,096,339	\$ 6,617,981	\$ 8,544,599	\$ 9,705,950

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.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see “TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS” below).

Initiative Petitions. Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted such amendments must be approved by two successive legislatures and then by the voters at a state election.

Tax Rates and 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, or pursuant to a revised schedule and may be issued by the Commissioner.

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.

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

Type of Property	Fiscal 2016		Fiscal 2015		Fiscal 2014	
	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation	Assessed Valuation	% of Total Assessed Valuation
Residential	\$ 920,569,610	81.1%	\$ 901,376,299	81.0%	\$ 852,616,171	80.2%
Open Space	1,047,473	0.1	902,426	0.1	803,200	0.1
Commercial	141,013,194	12.4	136,634,759	12.3	137,251,779	12.9
Industrial	28,984,052	2.6	27,772,814	2.5	28,105,951	2.6
Personal	<u>44,188,800</u>	<u>3.9</u>	<u>45,689,500</u>	<u>4.1</u>	<u>44,203,300</u>	<u>4.2</u>
Total	<u>\$ 1,135,803,129</u>	<u>100.0%</u>	<u>\$ 1,112,375,798</u>	<u>100.0%</u>	<u>\$ 1,062,980,401</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

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 a 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				
	2016	2015	2014	2013	2012
Real Property(1)	\$ 1,091,614,329	\$ 1,066,686,298	\$ 1,018,777,101	\$ 1,067,472,645	\$ 1,085,232,241
Personal Property(1)	<u>44,188,800</u>	<u>45,689,500</u>	<u>44,203,300</u>	<u>40,488,600</u>	<u>39,647,000</u>
Total	<u>\$ 1,135,803,129</u>	<u>\$ 1,112,375,798</u>	<u>\$ 1,062,980,401</u>	<u>\$ 1,107,961,245</u>	<u>\$ 1,124,879,241</u>
Equalized Value(2)	\$ 1,138,346,300	\$ 1,138,346,300	\$ 1,216,774,300	\$ 1,216,774,300	\$ 1,355,543,200
Percent of Total Assessed to Equalized Valuation	99.8%	97.7%	87.4%	91.1%	83.0%

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

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

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				
	2016	2015	2014	2013	2012
Residential	\$19.21	\$19.24	\$19.20	\$17.95	\$17.63
Open Space	19.21	19.24	19.20	17.95	17.63
Commercial	19.21	19.24	21.65	21.38	17.63
Industrial	19.21	19.24	21.65	21.38	17.63
Personal	<u>19.21</u>	<u>19.24</u>	<u>21.65</u>	<u>21.38</u>	<u>17.63</u>
Average Tax Rate	<u>\$19.21</u>	<u>\$19.24</u>	<u>\$19.68</u>	<u>\$18.59</u>	<u>\$17.63</u>
Full Value Tax Rate(1)	\$19.17	\$18.80	\$17.20	\$16.93	\$14.63

Source: Massachusetts Department of Revenue.

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

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 October 1st, if the bill was mailed on or before October 1st and from April 1st if the bill was mailed on or before April 1st. 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). 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 and the total collected against each fiscal year as of October 1, 2015.

	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Tax Levy	\$ 21,818,778	\$ 21,402,110	\$ 20,922,648	\$ 20,599,856	\$ 19,831,621
Overlay Reserve for Abatements	<u>200,046</u>	<u>195,300</u>	<u>219,902</u>	<u>156,417</u>	<u>139,908</u>
Net Tax Levy(1)	\$ <u>21,618,732</u>	\$ <u>21,206,810</u>	\$ <u>20,702,746</u>	\$ <u>20,443,439</u>	\$ <u>19,691,713</u>
Amount Collected					
During Fiscal Year Payable(2) ...	\$ 11,318,545	\$ 21,104,043	\$ 20,361,493	\$ 20,271,491	\$ 19,476,470
Percent of Net Tax Levy	52.3 %	99.5 %	98.3 %	99.1 %	83.6 %
Amount Collected Thru 10/1/15...	\$ 11,318,545	\$ 21,229,904	\$ 20,794,411	\$ 20,483,203	\$ 19,675,068
Percent of Net Tax Levy	52.3 %	100.0 %	100.0 %	100.0 %	99.9 %

(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.

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.

Taxes Outstanding

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Aggregate(1)	\$10,799,067(2)	\$201,572	\$399,896	\$205,122	\$209,647
For Current Year(1)	10,728,157(2)	201,572	399,896	205,122	209,647
Tax Titles	342,425	424,207	395,044	397,472	448,201
Tax Possessions	303,482	303,482	264,443	233,849	100,262

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

(2) As of November 12, 2015.

Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved 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 exempt real or personal property has been assessed or where taxable 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.

The following table reflects the total tax levy, the reserve for abatements, the amount of abatements granted during the fiscal year of the levy and the amount granted as of October 15, 2015 for the current fiscal year and all prior years.

	For Fiscal Year				
	2016	2015	2014	2013	2012
Tax Levy.....	\$ 21,818,778	\$ 21,402,110	\$ 20,922,648	\$ 20,599,856	\$ 19,831,621
Overlay Reserve for Abatements	200,046	195,300	219,902	156,417	139,908
Percent of Tax Levy	0.9 %	0.9 %	1.1 %	0.8 %	0.7 %
Abatements Granted:					
During Fiscal Year of Levy	\$ 72,849	\$ 91,268	\$ 147,893	\$ 110,669	\$ 138,325
Through 10/15/15.....	72,849	92,966	148,917	115,700	157,320

Source: Massachusetts Department of Revenue.

Ten Largest Taxpayers

The following is a list of the ten largest taxpayers for the most recent fiscal year 2016.

<u>Name</u>	<u>Nature of Business</u>	2016	% of
		<u>Valuation</u>	<u>Valuation</u>
Center at Hobbs Brook, LLC	Plaza	\$30,670,600	2.81 %
Hospitality Associates of Lancaster LLP	Hotel	11,264,900	1.03
OFS Fitel LLC	Fiber-Optics	9,402,952	.86
PRI-Heritage Green	Apartment Complex	8,521,900	.78
Sturbridge DHC, LLC	Apartment Complex	8,229,000	.75
Sturbridge Retirement Co-op, Inc.	Mobile Home Park	4,848,700	.44
Sea Sturbridge Plaza	Commercial Condominium	4,601,900	.42
Pilot Travel Centers, LLC	Truck Stop – Motel	4,551,900	.42
Resurrection Real Estate, LLC	Motel – Restaurant	4,778,700	.44
Colonial Motel	Motel/Restaurant	<u>4,624,300</u>	<u>.42</u>
		<u>\$91,494,852</u>	<u>8.37 %</u>

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” herein). 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 voters of the Town elected to implement the CPA, with a 3% surcharge on all real estate tax bills beginning in fiscal year 2006. The balance of the Town’s CPA funds at June 30, 2015 was \$1,990,691.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of a town are ordinarily made at the annual town 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.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, the overlay for 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 Taxation” 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.

The following table sets forth the operating budgets for the following fiscal years as voted by the Town.

	Budgeted <u>Fiscal Year</u> 2015	Budgeted <u>Fiscal Year</u> 2016
General Government.....	\$1,449,838	\$1,503,301
Public Safety.....	3,578,628	3,767,240
Public Works.....	1,819,714	1,917,477
Human Services.....	297,056	309,845
Parks and Recreation.....	69,721	71,624
Library.....	419,162	434,978
School.....	15,747,905	16,196,482
Debt Service.....	1,631,695	1,601,445
Employee Benefits.....	2,486,386	2,646,166
Unclassified.....	547,700	570,600
Insurance	<u>305,000</u>	<u>300,000</u>
Totals:	<u><u>\$28,352,805</u></u>	<u><u>\$29,319,158</u></u>

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>For Fiscal Year</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total.....	\$195,684	\$197,474	\$194,351	\$231,607	\$237,811

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 such benefits, 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. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2010. The Town has performed an actuarial valuation of its non-pension, post-employment benefit liability and the report is available and shows the total liability amount of \$16,349,309 with an ARC (annual required contribution) of \$1,572,061. The Town has established a trust fund and has begun to fund the required contributions. The balance in the fund as of October 1, 2015 was \$343,931.

Worcester Regional Contributory Retirement System Funding Schedule as of January 1, 2014

Exhibit 3.2 - 30-Year Forecast of Annual Appropriations

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Amortization Payment of ERI 2002	Amortization Payment of ERI 2003	Amortization Payment of ERI 2010	Total Employer Cost	Increase over Prior Year	Unfunded Actuarial Accrued Liability
2015	\$9,315,146	\$29,367,569	\$1,210,184	\$237,271	\$5,810	\$40,135,980		\$599,423,432
2016	9,293,514	32,534,944	1,264,642	247,948	5,810	43,346,858	8.00%	615,951,915
2017	9,258,061	35,970,079	1,321,551	259,106	5,810	46,814,607	8.00%	630,506,760
2018	9,207,714	39,694,466	1,381,020	270,766	5,810	50,559,776	8.00%	642,654,073
2019	9,141,340	43,731,291	1,443,167	282,950	5,810	54,604,558	8.00%	651,903,206
2020	9,057,738	48,105,582	1,508,109	295,683	5,810	58,972,922	8.00%	657,700,473
2021	8,955,634	52,844,348	1,575,975	308,988	5,810	63,690,755	8.00%	659,422,229
2022	8,833,684	57,976,739	1,646,893	322,893	5,810	68,786,019	8.00%	656,367,242
2023	8,690,461	63,540,011	1,721,003	337,423	-	74,288,898	8.00%	647,748,308
2024	8,524,460	67,124,026	1,798,447	352,607	-	77,799,540	4.73%	632,683,005
2025	8,334,087	69,808,987	1,879,378	368,475	-	80,390,927	3.33%	612,663,717
2026	8,117,658	72,601,347	1,963,950	385,056	-	83,068,011	3.33%	588,206,561
2027	7,873,393	75,505,401	2,052,327	402,383	-	85,833,504	3.33%	558,842,563
2028	7,599,414	78,525,617	2,144,683	420,490	-	88,690,204	3.33%	524,060,651
2029	7,293,732	81,666,642	-	-	-	88,960,374	0.30%	483,304,098
2030	7,515,148	84,933,307	-	-	-	92,448,455	3.92%	438,699,873
2031	7,745,422	88,330,639	-	-	-	96,076,061	3.92%	387,196,568
2032	7,984,906	91,863,865	-	-	-	99,848,771	3.93%	328,109,027
2033	8,233,971	95,538,419	-	-	-	103,772,390	3.93%	260,691,952
2034	8,492,997	99,359,957	-	-	-	107,852,954	3.93%	184,134,880
2035	8,762,384	103,334,354	-	-	-	112,096,738	3.93%	97,556,743
2036	9,042,548	-	-	-	-	9,042,548	-91.93%	-
2037	9,333,918	-	-	-	-	9,333,918	3.22%	-
2038	9,636,941	-	-	-	-	9,636,941	3.25%	-
2039	9,952,087	-	-	-	-	9,952,087	3.27%	-
2040	10,279,838	-	-	-	-	10,279,838	3.29%	-
2041	10,620,700	-	-	-	-	10,620,700	3.32%	-
2042	10,975,195	-	-	-	-	10,975,195	3.34%	-
2043	11,343,870	-	-	-	-	11,343,870	3.36%	-
2044	11,727,293	-	-	-	-	11,727,293	3.38%	-

Worcester Regional Retirement System
Actuarial Valuation as of January 1, 2014

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 employees’ retirement system and the teachers’ retirement system) which conducts 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 provide 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 contributes to the Worcester Regional Retirement System, a cost sharing, multiple-employer, defined benefit pension plan administered by the Worcester Regional Retirement Board. Substantially all employers are members of the System except for public school teachers and certain school administrators who are members of the Massachusetts Teachers’ Retirement System to which the Town does not contribute. The annual contributions of the Town to the Worcester Regional Retirement System for the following fiscal years are set forth below.

	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contributory.....	\$985,166	\$873,386	\$839,529	\$807,201	\$733,801

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, 2014, the County's total estimated past service liability in the contributory retirement system was \$1,087,769,903, and its assets were \$488,346,471, leaving an estimated unfunded past service liability of \$599,423,432. As of January 1, 2014, the Town's share of the liability was 2.210039% or \$24,040,139.

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.

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 Sturbridge has the following contracts: The Town has a contract with Veolia Water North America for the operations and management of the Town’s water and sewer treatment facilities. The Town’s water and sewer facilities are not funded through the General Fund but are funded through Special Revenue Accounts. All costs are funded through fees charged to water and sewer customers. In fiscal year 2016, the annual appropriation was \$1,484,000. In fiscal year 2015, the annual appropriation was \$1,444,590. The present contract expires June 30, 2019. Town meeting vote has authorized the Board of Selectmen to determine whether to extend the contract for two additional one-year periods.

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 following fiscal years.

	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Motor Vehicle Excise.....	\$1,373,493	\$1,283,930	\$1,169,588	\$1,129,631	\$1,144,759

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 six percent of the cost of renting such rooms. The tax is paid by the operator 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. *In fiscal year 2015, the Town collected \$811,703 in room occupancy excise 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. *In fiscal year 2015, the Town collected \$419,568 in local meals excise tax.*

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.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher’s summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

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

	For Fiscal Year				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
State Aid.....	\$ 4,419,001	\$ 4,315,625	\$ 3,744,212	\$ 3,644,878	\$ 3,215,522
Net Total Assessments.....	<u>-141,429</u>	<u>-145,979</u>	<u>-158,615</u>	<u>-144,182</u>	<u>-137,566</u>
Total State Aid.....	\$ 4,277,572	\$ 4,169,646	\$ 3,585,597	\$ 3,500,696	\$ 3,077,956

The Town received \$77,479 in FY14, \$256,193 in FY13 and \$103,378 in FEMA revenue.

Undesignated General Fund Balance and Stabilization Funds

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 Municipal Finance Oversight 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.

	For Fiscal Year Ending June 30				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Undesignated General Fund Balance	\$3,224,909	\$2,298,429	\$3,006,081	\$2,066,302	\$1,743,286
Stabilization Fund Balance	1,919,841	1,898,336	1,258,043	1,103,064	1,088,500

Source: The Town.

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 and estimated for fiscal 2015.

	For Fiscal Year Beginning July 1				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Free Cash	\$ 3,084,629	\$ 2,177,198	\$ 2,940,230	\$ 1,971,950	\$ 1,516,595

Source: Massachusetts Department of Revenue - Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years.

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, 2013 through June 30, 2015 and have been appended hereto as Appendix A. The Town’s financial statements for the fiscal year ended June 30, 2015 audited by R.E. Brown & Co., PC Certified Public Accountants, in their entirety, is included as Appendix B.

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 STURBRIDGE,
MASSACHUSETTS

By: /s/ Barbara Barry
Town Treasurer

Dated: December 8, 2015

COMPARATIVE BALANCE SHEETS

GENERAL ACCOUNTS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Cash and Short-Term Investments	\$ 6,575,809	\$ 5,291,101	\$ 5,623,355
Investments	2,014,904	1,931,975	1,469,967
Receivables, Net of Allowance for Uncollectibles:			
Real Estate and Personal Property Taxes	207,989	413,019	217,460
Tax Liens	424,207	344,677	397,472
Motor Vehicle Excise Taxes	54,171	50,272	86,543
Departmental and Other	145,141	125,052	140,642
Due from other Funds	-	-	67,696
Total Assets	<u>\$ 9,422,221</u>	<u>\$ 8,156,096</u>	<u>\$ 8,003,135</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Accounts Payable	\$ 1,424,166	\$ 1,305,602	\$ 1,696,002
Other Liabilities	7,234	8,805	4,764
Deferred Revenue	-	-	748,281
Total Liabilities	<u>1,431,400</u>	<u>1,314,407</u>	<u>2,449,047</u>
Deferred Inflows of Resources			
Deferred Property Taxes	602,768	535,723	-
Deferred Other Revenue	145,141	125,052	-
Total Deferred Inflows of Resources	<u>747,909</u>	<u>660,775</u>	<u>-</u>
Fund Balances:			
Restricted	270,251	286,888	303,524
Committed	1,385,494	1,133,536	491,016
Assigned	519,548	431,538	590,377
Unassigned	5,067,619	4,328,952	4,169,171
Total Fund Balances	<u>7,242,912</u>	<u>6,180,914</u>	<u>5,554,088</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,422,221</u>	<u>\$ 8,156,096</u>	<u>\$ 8,003,135</u>

TOWN OF STURBRIDGE, MASSACHUSETTS

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

GENERAL ACCOUNTS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Real Estate and Personal Property Taxes	\$ 21,292,043	\$ 20,788,469	\$ 20,481,798
Motor Vehicle and Other Excise Taxes	1,378,532	1,283,930	1,169,588
Intergovernmental	5,069,626	5,623,479	5,444,239
Investment Income	48,899	59,944	11,182
Fines and Forfeits	292,522	270,020	287,277
Departmental and Other	<u>2,253,118</u>	<u>2,088,974</u>	<u>1,941,552</u>
Total Revenues	<u>30,334,740</u>	<u>30,114,816</u>	<u>29,335,636</u>
Expenditures:			
General Government	1,972,851	1,980,698	1,965,314
Public Safety	3,531,369	3,201,660	3,006,178
Education	15,716,575	15,253,841	14,860,159
Public Works	1,866,534	2,046,759	1,875,541
Human Services	281,944	265,949	233,574
Culture and Recreation	572,779	448,188	465,554
Employee Benefits	3,562,706	4,173,952	3,988,854
State & County Assessments	145,979	158,615	144,182
Debt Service	<u>1,612,246</u>	<u>1,662,626</u>	<u>1,763,771</u>
Total Expenditures	<u>29,262,983</u>	<u>29,192,288</u>	<u>28,303,127</u>
Excess of Revenues Over (Under) Expenditures	1,071,757	922,528	1,032,509
Other Financing Sources (Uses):			
Operating Transfers In	11	4,298	75,061
Operating Transfers (Out)	<u>(9,770)</u>	<u>(300,000)</u>	<u>(79,140)</u>
Total Other Financing Sources	<u>(9,759)</u>	<u>(295,702)</u>	<u>(4,079)</u>
Net Change in Fund Balances	1,061,998	626,826	1,028,430
Fund Balance, Beginning of Year	<u>6,180,914</u>	<u>5,554,088</u>	<u>4,525,658</u>
Fund Balance, End of Year	<u>\$ 7,242,912</u>	<u>\$ 6,180,914</u>	<u>\$ 5,554,088</u>

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TOWN OF STRUBRIDGE, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2015

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**TOWN OF STRUBRIDGE, MASSACHUSETTS
 REPORT ON EXAMINATION OF
 BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015**

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**TOWN OF STRUBRIDGE, MASSACHUSETTS
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Sturbridge, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sturbridge, Massachusetts as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Sturbridge, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sturbridge, Massachusetts as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Town Net Pension Liability has significantly increased as of June 30, 2015 due to the implementation of GASB Statement 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Worcester Regional Retirement System schedules of funding progress, employer contributions, Town's proportionate share of the net pension liability, Town's contribution, and Massachusetts Teachers Retirement System's proportionate share of the net pension liability, and other post-employment benefits – schedules of funding progress and employer contributions and notes to the retirement system on pages 4 – 10, 62 - 64, 65, 66 – 67 and 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2015, on our consideration of the Town of Sturbridge, Massachusetts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Sturbridge, Massachusetts's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "R. E. Brown + Company". The signature is written in a cursive, flowing style.

November 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Sturbridge (the Town), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in this report.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

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

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

Both of the government-wide financial statements distinguish functions and activities of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the Town include the broad functions of general government, public safety, education, public works, human services, culture and recreation, employee benefits, interest, and state and county charges. The business-type activities include costs relating to water and sewer activities.

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

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the *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 financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Sturbridge adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds - *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has two enterprise funds:

- *Water Enterprise Fund* accounts for the water activity of the Town.
- *Sewer Enterprise Fund* accounts for the sewer activity of the Town.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* included in the government-wide financial statements because the resources of the funds are *not* available to support the Town's own functions and activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

- *Private-purpose trust funds, postemployment benefits trust and agency funds* are each reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds", "postemployment benefits trust" and "agency funds", respectively. The postemployment benefits trust fund was established to hold the assets that will fund the long term liability associated with town retirees' health benefits.

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

Government-wide Financial Analysis:

The chart on page 5 summarizes key financial components of the Town's Statement of Net Position. The chart on page 6 summarizes key financial components of the Town's Statement of activities.

Net position of \$ 56.0 million reflect the Town's investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment) less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's 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 capital assets themselves, cannot be used to liquidate these liabilities. Total net position increased from \$ 56.5 to \$ 58.8 million from the prior fiscal year, a increase of \$2,250,318. Of this increase, \$ 1,438,240 was attributable to a increase in governmental activities and \$ 812,078 was attributable to an increase in business-type activities. In fiscal year 2015 GASB 68 requires the Town to report Net Pension Liability.

The Town decreased its total liabilities by \$ 1,546,415 over the previous fiscal year. The Town's total assets increased by \$ 690,279 over the previous year.

An additional portion of the Town's net position totaling \$ 8.1 million represents resources that are subject to external restrictions on how they may be used. The restricted net assets relate to governmental activities.

**Town of Sturbridge-Financial Highlights
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Assets:						
Current assets	\$ 18,247,230	\$ 16,026,724	\$ 6,862,291	\$ 6,683,652	\$ 25,109,521	\$ 22,710,376
Noncurrent assets (excluding capital)	-	-	2,181,919	2,641,202	2,181,919	2,641,202
Capital assets	56,124,940	56,458,294	45,850,242	46,766,471	101,975,182	103,224,765
Total assets	74,372,170	72,485,018	54,894,452	56,091,325	129,266,622	128,576,343
Deferred Outflow of Resources:	7,910	-	-	-	7,910	-
Liabilities:						
Current Liabilities (excluding debt)	1,915,031	1,724,274	171,121	275,766	2,086,152	2,000,040
Noncurrent liabilities (excluding debt)	21,778,633	20,287,621	-	-	21,778,633	20,287,621
Current debt	3,915,053	3,860,000	1,915,309	1,898,592	5,830,362	5,758,592
Noncurrent debt	16,685,000	17,965,000	24,147,165	26,062,474	40,832,165	44,027,474
Total liabilities	44,293,717	43,836,895	26,233,595	28,236,832	70,527,312	72,073,727
Deferred Inflow of Resources:	-	-	-	5,714	-	5,714
Net Position:						
Net investment in capital assets	36,218,779	35,107,775	19,823,268	19,074,340	56,042,047	54,182,115
Restricted	8,061,791	7,400,731	-	-	8,061,791	7,400,731
Unrestricted	(14,194,207)	(13,860,383)	8,837,589	8,774,439	(5,356,618)	(5,085,944)
Total net position	\$ 30,086,363	\$ 28,648,123	\$ 28,660,857	\$ 27,848,779	\$ 58,747,220	\$ 56,496,902

At the end of the current fiscal year, the Town is able to report a positive balance of net position for the government as a whole.

There was an increase of \$ 812,078 in net position reported in connection with the water and sewer business-type activities. This increase in net position reflects a surplus in both the water and sewer operations for the year.

**Town of Sturbridge-Financial Highlights
Statement of Activities**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Revenues:						
<i>Program Revenues</i>						
Charges for services	\$ 2,434,385	\$ 2,395,175	\$ 4,065,818	\$ 3,826,136	\$ 6,500,203	\$ 6,221,311
Operating grants and contributions	6,242,831	6,179,443	20,617	42,577	6,263,448	6,222,020
Capital grants and contributions	1,715,247	308,505	670,787	173,879	2,386,034	482,384
<i>General Revenues</i>						
Real estate and personal property taxes	21,244,735	20,633,596	-	-	21,244,735	20,633,596
MV & Other Excise	1,382,431	1,250,653	-	-	1,382,431	1,250,653
Tax Lien	105,442	124,446	-	-	105,442	124,446
Hotel/Motel	967,468	917,645	-	-	967,468	917,645
Payment in Lieu of Taxes	130,212	118,369	-	-	130,212	118,369
Nonrestricted grants and contributions	1,479,771	1,578,222	-	-	1,479,771	1,578,222
Unrestricted investment income	79,291	115,588	-	-	79,291	115,588
Other revenues	101,871	82,553	-	-	101,871	82,553
Total Revenues	35,883,684	33,704,195	4,757,222	4,042,592	40,640,906	37,746,787
Expenses:						
General Government	2,160,574	2,191,824	-	-	2,160,574	2,191,824
Public Safety	3,679,660	3,659,888	-	-	3,679,660	3,659,888
Education	18,685,127	17,305,718	-	-	18,685,127	17,305,718
Public Works	2,452,443	2,618,844	-	-	2,452,443	2,618,844
Human Services	832,009	385,888	-	-	832,009	385,888
Culture and Recreation	753,342	658,154	-	-	753,342	658,154
Employee Benefits	5,072,232	5,652,465	-	-	5,072,232	5,652,465
State and County Assessments	145,979	158,615	-	-	145,979	158,615
Interest	668,203	626,227	-	-	668,203	626,227
Sewer	-	-	2,615,439	2,394,432	2,615,439	2,394,432
Water	-	-	1,329,705	1,077,365	1,329,705	1,077,365
Total Expenses	34,449,569	33,257,623	3,945,144	3,471,797	38,394,713	36,729,420
Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, and transfers	1,434,115	446,572	812,078	570,795	2,246,193	1,017,367
Contributions	4,125	4,125	-	-	4,125	4,125
Transfers	-	(3,000)	-	3,000	-	-
Change in Net Position	1,438,240	447,697	812,078	573,795	2,250,318	1,021,492
Prior Period Pension Adjustment	-	(12,840,120)	-	-	-	(12,840,120)
Net Position - Beginning	28,648,123	41,040,546	27,848,779	27,274,984	56,496,902	68,315,530
Net Position - Ending	\$ 30,086,363	\$ 28,648,123	\$ 28,660,857	\$ 27,848,779	\$ 58,747,220	\$ 56,496,902

The Town's total revenues increased by \$ 2,894,119 over the prior fiscal year, which was substantially related to governmental activities. The increase is attributable to an increase in capital grants & contributions.

The Town's total expenses increased by \$ 1,665,293 over the prior fiscal year or 4.5%. The largest contributors to the expense increase were Education \$ 1,379,409 and Human Services \$ 446,121.

Financial Analysis of the Governmental Funds

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

Governmental funds - The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, 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.

At the end of the current fiscal year, governmental funds reported combined ending liabilities and fund balances of \$ 18.3 million, an increase of \$ 2,220,506 in comparison with the prior year. Approximately \$ 3 million of this amount constitutes *unassigned fund balance*, which is available for spending at the Town's discretion. Total fund balance of the governmental funds at June 30, 2015 was \$ 11.2 million, an increase of \$ 1,640,957 or 17.1% more than the previous fiscal year.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 5.1 million, while the total fund balance was \$7.2 million. Unassigned fund balance represents 17.3% of total general fund expenditures.

General fund revenues for FY 2015 were \$ 30.3 million with property taxes (\$ 21.3 million) and intergovernmental revenues (\$ 5.1 million) the major components of the Town's revenue sources. General Fund expenditures were \$ 29.3 million for FY 2015 with education (\$ 15.7 million), employee benefits (\$ 3.6 million), and public safety (\$ 3.5 million) the major components of spending. The fund balance of the general fund of the Town increased by \$ 1,061,998 or 17.2%.

The stabilization fund has accumulated a fund balance of \$ 1,921,903 which represents 6.6% of general fund expenditures. These funds can be used for general or capital purposes upon Town Meeting approval.

General Fund Budget Highlights

There were no substantial changes between the original and final budget of the Town; however, over the course of the fiscal year the operating budget was amended upward by \$ 237,721 at two Special Town Meetings. The increases in appropriations were in various operating budgets of the Town. The Town budgeted \$ 28.4 million in revenues and \$ 29.9 million in expenditures, drawing on transfers and prior year surplus to finance the difference. At year end, \$ 1,085,945 of unexpended appropriation balances was closed out to unassigned fund balance.

Capital Asset and Debt Administration

Capital assets - In conjunction with the operating budget, the Town annually prepared capital budgets for the upcoming fiscal year.

The Town's investment in capital assets for governmental and business-type activities as of June 30, 2015, amounts to \$ 102 million, net of accumulated depreciation. The investment in capital assets includes land, buildings, capital improvements (other than buildings), machinery and equipment, vehicles, infrastructure, and construction in progress.

Capital Assets (net of accumulated depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 10,187,395	\$ 283,278	\$ 10,470,673
Buildings	39,491,730	-	39,491,730
Capital Improvements (other than buildings)	249,613	26,007,176	26,256,789
Machinery and Equipment	806,328	275,856	1,082,184
Vehicles	2,403,531	51,551	2,455,082
Infrastructure	2,797,780	19,232,381	22,030,161
Construction in Progress	188,563	-	188,563
Total	<u>\$ 56,124,940</u>	<u>\$ 45,850,242</u>	<u>\$ 101,975,182</u>

Long term debt – Governmental Activities – Outstanding long-term debt as of June 30, 2015 totaled \$ 18 million of which \$ 1.4 million is for land purchases made with Community Preservation Funds. Business-Type Activities- Outstanding long-term debt as of June 30, 2015, totaled \$ 26 million of which the total amount is for water and sewer construction projects. Of this amount \$ 5.3 will be repaid through betterment assessments.

Economic Factors and Next Year's Budgets & Rates

- The Town experienced new growth in fiscal 2016 of \$236,004.
- The fiscal 2016 tax rate was set at \$19.21.
- Free Cash was certified at \$ 3,084,629 (10.3% of the General Fund Budget) a increase of \$ 907,431 over the last fiscal year. This amount represents that portion of General Fund unassigned fund balance that is available for appropriation at future Town Meetings.
- At the end of fiscal year 2015, the balance in the Stabilization Fund was \$ 1,921,903 which represents 6.4% of the General Fund Budget.
- Excess levy capacity is the difference between the Town's actual levy and the Town's maximum allowable levy including debt exclusions. The Town's excess levy capacity for fiscal year 2016 totaled \$ 1,241,324. The fiscal year 2015 excess levy capacity totaled \$ 924,538.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town of Sturbridge, 308 Main Street, Sturbridge, MA, 01566.

**TOWN OF STURBRIDGE, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 9,015,357	\$ 4,982,558	\$ 13,997,915
INVESTMENTS	5,633,387	1,137,834	6,771,221
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	207,989	-	207,989
TAX LIENS	424,207	-	424,207
MOTOR VEHICLE AND OTHER EXCISE TAXES	54,171	-	54,171
USER FEES	-	319,942	319,942
DEPARTMENTAL AND OTHER	152,511	-	152,511
INTERGOVERNMENTAL	2,759,608	-	2,759,608
SPECIAL ASSESSMENTS	-	421,957	421,957
NONCURRENT:			
SPECIAL ASSESSMENTS	-	2,181,919	2,181,919
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	56,124,940	45,850,242	101,975,182
TOTAL ASSETS	74,372,170	54,894,452	129,266,622
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL PENSION SYSTEM INVESTMENT EARNINGS	7,910	-	7,910
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,530,608	50,198	1,580,806
OTHER LIABILITIES	7,234	-	7,234
ACCRUED INTEREST	162,795	120,923	283,718
BONDS AND NOTES PAYABLE	3,915,053	1,915,309	5,830,362
LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS	12,670	-	12,670
COMPENSATED ABSENCES	201,724	-	201,724
NONCURRENT:			
BONDS AND NOTES PAYABLE	16,685,000	24,147,165	40,832,165
LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS	680,100	-	680,100
COMPENSATED ABSENCES	232,823	-	232,823
POSTEMPLOYMENT BENEFITS	7,714,482	-	7,714,482
NET PENSION LIABILITY	13,151,228	-	13,151,228
TOTAL LIABILITIES	44,293,717	26,233,595	70,527,312
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	36,218,779	19,823,268	56,042,047
RESTRICTED FOR:			
STREETS	2,083,100	-	2,083,100
PERMANENT FUNDS:			
EXPENDABLE	436,856	-	436,856
NONEXPENDABLE	364,255	-	364,255
OTHER PURPOSES	5,177,580	-	5,177,580
UNRESTRICTED	(14,194,207)	8,837,589	(5,356,618)
TOTAL NET POSITION	\$ 30,086,363	\$ 28,660,857	\$ 58,747,220

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015**

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,160,574	\$ 127,231	\$ 220,885	\$ -	\$ (1,812,458)
PUBLIC SAFETY	3,679,660	918,761	117,441	204,990	(2,438,468)
EDUCATION	18,685,127	1,268,537	4,170,802	965,933	(12,279,855)
PUBLIC WORKS	2,452,443	14,971	169,818	544,324	(1,723,330)
HUMAN SERVICES	832,009	87,538	181,491	-	(562,980)
CULTURE & RECREATION	753,342	17,347	292,550	-	(443,445)
EMPLOYEE BENEFITS	5,072,232	-	1,089,844	-	(3,982,388)
STATE & COUNTY ASSESSMENTS	145,979	-	-	-	(145,979)
INTEREST	668,203	-	-	-	(668,203)
TOTAL GOVERNMENTAL ACTIVITIES	34,449,569	2,434,385	6,242,831	1,715,247	(24,057,106)
BUSINESS-TYPE ACTIVITIES:					
SEWER	2,615,439	2,667,014	12,507	670,787	734,869
WATER	1,329,705	1,398,804	8,110	-	77,209
TOTAL BUSINESS-TYPE ACTIVITIES	3,945,144	4,065,818	20,617	670,787	812,078
TOTAL PRIMARY GOVERNMENT	\$ 38,394,713	\$ 6,500,203	\$ 6,263,448	\$ 2,386,034	\$ (23,245,028)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF STURBRIDGE, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (24,057,106)	\$ 812,078	\$ (23,245,028)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	21,244,735	-	21,244,735
TAX LIENS	105,442	-	105,442
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,382,431	-	1,382,431
HOTEL/MOTEL TAX	967,468	-	967,468
PAYMENTS IN LIEU OF TAXES	130,212	-	130,212
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,479,771	-	1,479,771
UNRESTRICTED INVESTMENT INCOME	79,291	-	79,291
CONTRIBUTIONS TO PERMANENT FUNDS	4,125	-	4,125
MISCELLANEOUS	101,871	-	101,871
TOTAL GENERAL REVENUES	25,495,346	-	25,495,346
CHANGE IN NET POSITION	1,438,240	812,078	2,250,318
NET POSITION:			
BEGINNING OF YEAR	28,648,123	27,848,779	56,496,902
END OF YEAR	\$ 30,086,363	\$ 28,660,857	\$ 58,747,220

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF STURBRIDGE, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

ASSETS	GENERAL	COMMUNITY PRESERVATION	BURGESS SCHOOL BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 6,575,809	\$ 45,092	\$ 1	\$ 2,394,455	\$ 9,015,357
INVESTMENTS	2,014,904	2,818,423	-	800,060	5,633,387
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES	207,989	-	-	-	207,989
TAX LIENS	424,207	-	-	-	424,207
MOTOR VEHICLE AND OTHER EXCISE TAXES	54,171	-	-	-	54,171
DEPARTMENTAL AND OTHER	145,141	7,370	-	-	152,511
INTERGOVERNMENTAL	-	-	604,800	2,154,808	2,759,608
TOTAL ASSETS	\$ 9,422,221	\$ 2,870,885	\$ 604,801	\$ 5,349,323	\$ 18,247,230
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,424,166	\$ 743	\$ -	\$ 105,699	\$ 1,530,608
OTHER LIABILITIES	7,234	-	-	-	7,234
NOTES PAYABLE	-	-	2,635,053	-	2,635,053
TOTAL LIABILITIES	1,431,400	743	2,635,053	105,699	4,172,895
DEFERRED INFLOWS OF RESOURCES:					
DEFERRED PROPERTY TAXES	602,768	7,370	-	-	610,138
DEFERRED INTERGOVERNMENTAL REVENUE	-	-	-	2,083,100	2,083,100
DEFERRED OTHER REVENUE	145,141	-	-	-	145,141
TOTAL DEFERRED INFLOWS OF RESOURCES	747,909	7,370	-	2,083,100	2,838,379
FUND BALANCES:					
NONSPENDABLE	-	-	-	364,255	364,255
RESTRICTED	270,251	2,862,772	-	2,833,385	5,966,408
COMMITTED	1,385,494	-	-	-	1,385,494
ASSIGNED	519,548	-	-	-	519,548
UNASSIGNED	5,067,619	-	(2,030,252)	(37,116)	3,000,251
TOTAL FUND BALANCES	7,242,912	2,862,772	(2,030,252)	3,160,524	11,235,956
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 9,422,221	\$ 2,870,885	\$ 604,801	\$ 5,349,323	\$ 18,247,230

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>GENERAL</u>	<u>COMMUNITY PRESERVATION</u>	<u>BURGESS SCHOOL BUILDING</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 21,292,043	\$ -	\$ -	\$ -	\$ 21,292,043
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,378,532	-	-	-	1,378,532
INTERGOVERNMENTAL	5,069,626	211,373	553,933	2,024,042	7,858,974
INVESTMENT INCOME	48,899	31,361	-	9,821	90,081
FINES & FORFEITS	292,522	-	-	-	292,522
DEPARTMENTAL AND OTHER	2,253,118	407,084	-	2,027,236	4,687,438
TOTAL REVENUES	30,334,740	649,818	553,933	4,061,099	35,599,590
EXPENDITURES:					
CURRENT:					
GENERAL GOVERNMENT	1,972,851	18,392	-	103,645	2,094,888
PUBLIC SAFETY	3,531,369	-	-	348,276	3,879,645
EDUCATION	15,716,575	-	175,250	2,155,672	18,047,497
PUBLIC WORKS	1,866,534	-	-	776,364	2,642,898
HUMAN SERVICES	281,944	-	-	507,129	789,073
CULTURE & RECREATION	572,779	4,045	-	211,646	788,470
EMPLOYEE BENEFITS	3,562,706	-	-	-	3,562,706
STATE & COUNTY ASSESSMENTS	145,979	-	-	-	145,979
DEBT SERVICE					
PRINCIPAL	1,045,000	285,000	-	-	1,330,000
INTEREST	567,246	110,231	-	-	677,477
TOTAL EXPENDITURES	29,262,983	417,668	175,250	4,102,732	33,958,633
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,071,757	232,150	378,683	(41,633)	1,640,957
OTHER FINANCING SOURCES (USES)					
OPERATING TRANSFERS IN	11	-	-	9,770	9,781
OPERATING TRANSFERS OUT	(9,770)	-	-	(11)	(9,781)
TOTAL OTHER FINANCING SOURCES (USES)	(9,759)	-	-	9,759	-
NET CHANGE IN FUND BALANCES	1,061,998	232,150	378,683	(31,874)	1,640,957
FUND BALANCES AT BEGINNING OF YEAR	6,180,914	2,630,622	(2,408,935)	3,192,398	9,594,999
FUND BALANCES AT END OF YEAR	\$ 7,242,912	\$ 2,862,772	\$ (2,030,252)	\$ 3,160,524	\$ 11,235,956

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 11,235,956
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		56,124,940
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,838,379
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(162,795)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(17,965,000)	
OTHER POSTEMPLOYMENT BENEFITS (OPEB)	(7,714,482)	
NET PENSION LIABILITY	(13,151,228)	
DEFERRED OUTFLOWS OF RESOURCES	7,910	
COMPENSATED ABSENCES	(434,547)	
LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS	<u>(692,770)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(39,950,117)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 30,086,363</u></u>

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,640,957
<p>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.</p>		
CAPITAL OUTLAY	1,467,910	
DEPRECIATION EXPENSE	<u>(1,801,264)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(333,354)
<p>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</p>		
		288,219
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) 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. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,330,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		1,330,000
<p>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.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(90,316)	
NET CHANGE IN LANDFILL CLOSURE AND POSTCLOSURE CARE ACCRUAL	12,670	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	7,910	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	9,274	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(1,116,012)	
NET CHANGE IN NET PENSION LIABILITY	<u>(311,108)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(1,487,582)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,438,240</u>

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 21,206,810	\$ 21,206,810	\$ 21,292,043	\$ 85,233
MOTOR VEHICLE AND OTHER EXCISE TAXES	1,152,500	1,152,500	1,378,532	226,032
INVESTMENT INCOME	20,000	20,000	25,970	5,970
INTERGOVERNMENTAL	3,966,874	3,966,874	3,979,782	12,908
FINES & FORFEITS	259,000	259,000	292,522	33,522
DEPARTMENTAL AND OTHER	1,754,900	1,754,900	2,253,118	498,218
TOTAL REVENUES	<u>28,360,084</u>	<u>28,360,084</u>	<u>29,221,967</u>	<u>861,883</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,304,684	2,370,355	2,048,349	322,006
PUBLIC SAFETY	3,800,455	3,878,605	3,532,481	346,124
EDUCATION	15,751,300	15,751,300	15,722,552	28,748
PUBLIC WORKS	2,509,006	2,565,906	2,209,778	356,128
HUMAN SERVICES	284,056	303,056	281,944	21,112
CULTURE & RECREATION	658,056	676,056	573,495	102,561
EMPLOYEE BENEFITS	2,586,386	2,586,386	2,472,862	113,524
STATE & COUNTY ASSESSMENTS	157,423	157,423	145,979	11,444
DEBT SERVICE:				
PRINCIPAL	1,045,000	1,045,000	1,045,000	-
INTEREST	603,332	603,332	567,246	36,086
TOTAL EXPENDITURES	<u>29,699,698</u>	<u>29,937,419</u>	<u>28,599,686</u>	<u>1,337,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,339,614)</u>	<u>(1,577,335)</u>	<u>622,281</u>	<u>2,199,616</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	-	-	11	11
OPERATING TRANSFERS OUT	(8,400)	(9,770)	(9,770)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,400)</u>	<u>(9,770)</u>	<u>(9,759)</u>	<u>11</u>
NET CHANGE IN FUND BALANCE	<u>(1,348,014)</u>	<u>(1,587,105)</u>	<u>612,522</u>	<u>2,199,627</u>
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	<u>4,248,939</u>	<u>4,248,939</u>	<u>4,248,939</u>	<u>-</u>
BUDGETARY FUND BALANCE, END OF YEAR	<u>\$ 2,900,925</u>	<u>\$ 2,661,834</u>	<u>\$ 4,861,461</u>	<u>\$ 2,199,627</u>

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
ASSETS			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 3,330,910	\$ 1,651,648	\$ 4,982,558
INVESTMENTS	1,137,834	-	1,137,834
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	214,678	105,264	319,942
SPECIAL ASSESSMENTS	421,957	-	421,957
TOTAL CURRENT ASSETS	5,105,379	1,756,912	6,862,291
NONCURRENT:			
SPECIAL ASSESSMENTS	2,181,919	-	2,181,919
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	34,407,295	11,442,947	45,850,242
TOTAL NONCURRENT ASSETS	36,589,214	11,442,947	48,032,161
TOTAL ASSETS	41,694,593	13,199,859	54,894,452
LIABILITIES			
CURRENT:			
ACCOUNTS PAYABLE	29,806	20,392	50,198
ACCRUED INTEREST	32,733	88,190	120,923
BONDS AND NOTES PAYABLE	1,576,825	338,484	1,915,309
TOTAL CURRENT LIABILITIES	1,639,364	447,066	2,086,430
NONCURRENT:			
BONDS AND NOTES PAYABLE	18,293,760	5,853,405	24,147,165
TOTAL LIABILITIES	19,933,124	6,300,471	26,233,595
NET POSITION			
NET INVESTMENT IN CAPITAL ASSETS	14,562,210	5,261,058	19,823,268
UNRESTRICTED	7,199,259	1,638,330	8,837,589
TOTAL NET POSITION	\$ 21,761,469	\$ 6,899,388	\$ 28,660,857

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2015**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
<u>OPERATING REVENUES:</u>			
CHARGES FOR SERVICES	\$ 2,667,014	\$ 1,398,804	\$ 4,065,818
DEPARTMENTALAND OTHER	210	8,110	8,320
TOTAL OPERATING REVENUES	2,667,224	1,406,914	4,074,138
<u>OPERATING EXPENSES:</u>			
GENERAL SERVICES	1,523,909	800,345	2,324,254
DEPRECIATION	832,793	303,090	1,135,883
TOTAL OPERATING EXPENSES	2,356,702	1,103,435	3,460,137
OPERATING INCOME (LOSS)	310,522	303,479	614,001
<u>NON-OPERATING REVENUES (EXPENSES):</u>			
INTERGOVERNMENTAL	670,787	-	670,787
INTEREST INCOME	12,297	-	12,297
INTEREST EXPENSE	(258,737)	(226,270)	(485,007)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	424,347	(226,270)	198,077
CHANGE IN NET POSITION	734,869	77,209	812,078
NET POSITION AT BEGINNING OF YEAR	21,026,600	6,822,179	27,848,779
NET POSITION AT END OF YEAR	\$ 21,761,469	\$ 6,899,388	\$ 28,660,857

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>		
	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
RECEIPTS FROM CUSTOMERS AND USERS	\$ 3,185,751	\$ 1,427,449	\$ 4,613,200
PAYMENTS TO SUPPLIERS	(1,607,356)	(800,722)	(2,408,078)
PAYMENTS TO EMPLOYEES	(11,293)	(11,293)	(22,586)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,567,102</u>	<u>615,434</u>	<u>2,182,536</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(959,708)	(336,736)	(1,296,444)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(51,789)	(160,544)	(212,333)
INTEREST EXPENSE	(192,871)	(234,766)	(427,637)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,204,368)</u>	<u>(732,046)</u>	<u>(1,936,414)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(286,207)	-	(286,207)
INTEREST RECEIVED	12,297	-	12,297
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>(273,910)</u>	<u>-</u>	<u>(273,910)</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	88,824	(116,612)	(27,788)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>3,242,086</u>	<u>1,768,260</u>	<u>5,010,346</u>
CASH AND SHORT TERM INVESTMENTS- END OF YEAR	<u>\$ 3,330,910</u>	<u>\$ 1,651,648</u>	<u>\$ 4,982,558</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>			
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
OPERATING INCOME (LOSS)	\$ 310,522	\$ 303,479	\$ 614,001
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
DEPRECIATION	832,793	303,090	1,135,883
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	518,527	20,535	539,062
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(94,740)	(11,670)	(106,410)
TOTAL ADJUSTMENTS	<u>1,256,580</u>	<u>311,955</u>	<u>1,568,535</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,567,102</u>	<u>\$ 615,434</u>	<u>\$ 2,182,536</u>

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	<u>POSTEMPLOYMENT BENEFITS TRUST</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ -	\$ 49,900
INVESTMENTS	238,976	4,999	-
DEPARTMENTAL RECEIVABLE	-	-	27,750
TOTAL ASSETS	<u>238,976</u>	<u>4,999</u>	<u>77,650</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	4,242
OTHER LIABILITIES	-	-	73,408
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>77,650</u>
<u>NET POSITION</u>			
NET POSITION - HELD IN TRUST FOR OPEB AND OTHER PURPOSES	<u>\$ 238,976</u>	<u>\$ 4,999</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

TOWN OF STURBRIDGE, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2015

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 100,000	\$ -
INVESTMENT INCOME	2,180	57
TOTAL ADDITIONS	102,180	57
<u>DEDUCTIONS:</u>		
EDUCATIONAL SCHOLARSHIPS	-	100
CHANGE IN NET POSITION	102,180	(43)
NET POSITION AT BEGINNING OF YEAR	136,796	5,042
NET POSITION AT END OF YEAR	\$ 238,976	\$ 4,999

See accompanying notes to the basic financial statements

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Sturbridge, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Administrator whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Venture

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint venture:

Name	Purpose	Address	Annual Assessment
Tantasqua Regional School District	To provide grades 7-12 education	320 Brookfield Road Fiskdale, MA 01508	\$ 6,045,033

The Tantasqua Regional School District (the District) is governed by a seventeen (18) member school committee consisting of six (5) elected representatives from the Town of Sturbridge. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 47.85% equity interest in the joint venture.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- a. *Charges to customers* or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that are restricted to meeting the operational requirements of a particular function or segment.
- c. *Grants and contributions* that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on long-term debt which is recognized when due, and the non-current portion of compensated absences, landfill closure and post-closure care costs, net pension liability, and postemployment benefits which are recognized when the obligations are expected to be liquidated with current expendable available resources.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Community Preservation fund* is a special revenue fund used to account for the accumulation of resources to purchase open space, provide for affordable housing, or preservation of historical property under the guidelines of the Community Preservation Act of the Massachusetts General Laws.
- The *Burgess School Building fund* is a capital projects fund used to account for the construction costs of the Burgess School building
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

- The *Water Enterprise fund* is used to account for water activities.
- The *Sewer Enterprise fund* is used to account for sewer activities.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Fiduciary Fund Financial Statements

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held by the Town in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.
- The *Postemployment Benefits Trust* is used to account for the assets held that will fund the long term liability associated with the Towns retirees health benefits.

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and proprietary and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

User fees are levied quarterly based on residential and commercial meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens may be processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related liens (if any) are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Special Assessments

Business type activities special assessments consist primarily of sewer betterments and are recorded as receivables in the fiscal year accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the water and sewer enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, infrastructure (e.g., water mains, sewer mains, roadways, and similar items), and construction in progress, are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary funds financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	7-40
Capital Improvements (other than buildings)	10-50
Machinery and Equipment	5-10
Vehicles	5-15
Infrastructure	5-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

J. Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows of resources at the fund level, represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available. Deferred inflows of resources at the fund level consists of the succeeding year property tax revenue, Intergovernmental revenue, and other revenue not collected within sixty days after year-end.

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position are classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position have been "restricted" for the following:

- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
- *Permanent funds – expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

- *Permanent funds – nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represents restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (*MGL*).

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

Government-Wide Financial Statements

The total amount to be paid in future years is presented in the governmental activities column of the government-wide statement of net position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2015 is recorded in the governmental fund financial statements.

O. Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

P. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund. The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Town Administrator. The School Department budget is prepared under the direction of the School Committee. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2015 approved budget authorized \$28,985,513 in current year appropriations and other amounts to be raised and \$714,185 in encumbrances and, appropriations carried over from previous fiscal years. Supplemental appropriations of \$237,721 were approved at two Special Town Meetings during fiscal year 2015.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2015, is presented below:

Net change in fund balance - budgetary basis	\$ 612,522
Basis of accounting differences:	
Net stabilization fund activity	22,929
Increase in revenue for on-behalf payments - MTRS	1,089,844
Increase in expenditures for on-behalf payments - MTRS	(1,089,844)
Adjustment for Current Year Encumbrances	426,547
Net change in fund balance - GAAP basis	\$ 1,061,998

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2015, actual expenditures exceeded appropriations for snow and ice. This over-expenditure will be funded by available funds during fiscal year 2016.

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds and an individual deficit exists in the general capital project fund. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants or proceeds of long-term debt during fiscal year 2016.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

Deposits

- *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits “in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) 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 formal deposit policy for custodial credit risk. The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Depositor’s Insurance Fund (DIF). The Town also carries deposits that are uninsured and uncollateralized.

The following table illustrates how much of the Town’s bank deposits are insured, and how much of the Town’s bank deposits are uninsured and uncollateralized as of June 30, 2015:

Total bank balances		<u><u>\$ 14,353,997</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,874,174	
Depositors Insurance Fund (DIF)	<u>5,312,461</u>	
Total bank balances covered by deposit insurance		7,186,635
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>7,167,362</u>	
Total bank balances subject to custodial credit risk		<u><u>7,167,362</u></u>
Total bank balances		<u><u>\$ 14,353,997</u></u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

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 is the actual rating as of year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End				
			AA+	AA	A+	Aaa	Unrated
U.S. Government & Agency Securities	\$ 3,202,700	N/A	\$ 2,285,412	\$ -	\$ -	\$ 917,288	\$ -
Certificates of Deposit	1,372,191	N/A	-	-	-	-	1,372,191
Fixed Income (Bond) Mutual Funds	780,474	N/A	-	-	-	-	780,474
Corporate Bonds	451,903	N/A	-	150,404	301,499	-	-
Money Market Mutual Funds	538,761	N/A	-	-	-	-	538,761
Common Stock	669,167	N/A	-	-	-	-	669,167
Total Investments	\$ 7,015,196		\$ 2,285,412	\$ 150,404	\$ 301,499	\$ 917,288	\$ 3,360,593

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

b) Custodial Credit Risk

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The investments in U.S. Government and Agency securities, corporate bonds, and common stock are not exposed to custodial credit risk because the related securities are registered in the name of the Town. The investments in certificates of deposit are not exposed to custodial credit risk because the related certificates of deposit are fully insured by the Federal Depositors Insurance Corporation (FDIC). The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have an investment policy for custodial credit risk.

c) Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the 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)	
		Less than 1	1-5
<u>Debt Related Securities:</u>			
U.S. Government & Agency	\$ 3,202,700	\$ -	\$ 3,202,700
Certificates of Deposit	1,372,191	989,796	382,395
Fixed Income Mutual Funds	780,474	780,474	-
Corporate Bonds	451,903	-	451,903
Total - Debt related securities	<u>5,807,268</u>	<u>1,770,270</u>	<u>4,036,998</u>
<u>Other Investments:</u>			
Money Market Mutual Funds	538,761	538,761	-
Common Stock	669,167	669,167	-
Total Other Investments	<u>1,207,928</u>	<u>1,207,928</u>	<u>-</u>
Total Investments	<u>\$ 7,015,196</u>	<u>\$ 2,978,198</u>	<u>\$ 4,036,998</u>

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

d) Concentration of Credit Risk

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following security:

Issuer	Percentage of Total Investments
Fidelity Instl MMKT	5.89%

NOTE 4 – RECEIVABLES

The receivables at June 30, 2015 for the Town's individual major and nonmajor governmental funds, and fiduciary funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 213,489	\$ (5,500)	\$ 207,989
Tax Liens	424,207	-	424,207
Motor vehicle & other excise taxes	67,171	(13,000)	54,171
Departmental and other	242,463	(62,202)	180,261
Intergovernmental	2,759,608	-	2,759,608
Total	\$ 3,706,938	\$ (80,702)	\$ 3,626,236

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

The receivables at June 30, 2015, for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water</i>			
User fees	\$ 105,264	\$ -	\$ 105,264
<i>Sewer</i>			
User fees	214,678	-	214,678
Special assessments	2,603,876	-	2,603,876
 Total	 <u>\$ 2,923,818</u>	 <u>\$ -</u>	 <u>\$ 2,923,818</u>

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

Deferred Inflows of Resources Analysis

Deferred Inflows	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 602,768	\$ 7,370	\$ -	\$ 610,138
Deferred Other Revenue	145,141	-	-	145,141
Deferred Intergovernmental Revenue	-	-	2,083,100	2,083,100
 Total	 <u>\$ 747,909</u>	 <u>\$ 7,370</u>	 <u>\$ 2,083,100</u>	 <u>\$ 2,838,379</u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 10,125,135	\$ 62,260	\$ -	\$ 10,187,395
Construction in progress	115,718	236,285	(163,440)	188,563
Total capital assets not being depreciated	<u>10,240,853</u>	<u>298,545</u>	<u>(163,440)</u>	<u>10,375,958</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	46,354,731	218,871	163,440	46,737,042
Capital improvements (other than buildings)	1,943,791	5,751	-	1,949,542
Machinery and equipment	2,075,098	190,927	(56,696)	2,209,329
Vehicles	6,158,735	468,568	(153,965)	6,473,338
Infrastructure	5,570,170	495,909	-	6,066,079
Total capital assets being depreciated	<u>62,102,525</u>	<u>1,380,026</u>	<u>(47,221)</u>	<u>63,435,330</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(6,108,516)	(1,136,796)	-	(7,245,312)
Capital improvements (other than buildings)	(1,634,232)	(65,697)	-	(1,699,929)
Machinery and equipment	(1,325,321)	(134,376)	56,696	(1,403,001)
Vehicles	(3,772,041)	(451,731)	153,965	(4,069,807)
Infrastructure	(3,044,974)	(223,325)	-	(3,268,299)
Total accumulated depreciation	<u>(15,885,084)</u>	<u>(2,011,925)</u>	<u>210,661</u>	<u>(17,686,348)</u>
Total capital assets being depreciated, net	<u>46,217,441</u>	<u>(631,899)</u>	<u>163,440</u>	<u>45,748,982</u>
Total governmental activities capital assets, net	<u>\$ 56,458,294</u>	<u>\$ (333,354)</u>	<u>\$ -</u>	<u>\$ 56,124,940</u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 283,278	\$ -	\$ -	\$ 283,278
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	239,776	141,211	-	380,987
Vehicles	121,920	34,958	-	156,878
Capital improvements (other than buildings)	28,105,562	43,485	-	28,149,047
Infrastructure	26,617,296	-	-	26,617,296
Total capital assets being depreciated	55,084,554	219,654	-	55,304,208
<i>Less accumulated depreciation for:</i>				
Machinery and Equipment	(75,807)	(29,324)	-	(105,131)
Vehicles	(93,797)	(11,530)	-	(105,327)
Capital improvements (other than buildings)	(1,579,188)	(562,683)	-	(2,141,871)
Infrastructure	(6,852,569)	(532,346)	-	(7,384,915)
Total accumulated depreciation	(8,601,361)	(1,135,883)	-	(9,737,244)
Total capital assets being depreciated, net	46,483,193	(916,229)	-	45,566,964
Total business-type activities capital assets, net	\$ 46,766,471	\$ (916,229)	\$ -	\$ 45,850,242

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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

Governmental Activities:	
General government	\$ 150,207
Public safety	307,849
Education	987,293
Public works	372,129
Human services	49,796
Culture and recreation	144,651
 Total depreciation expense - governmental activities	 \$ 2,011,925

Business-Type Activities:	
Water	\$ 303,090
Sewer	832,793
 Total depreciation expense - business-type activities	 \$ 1,135,883

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2015, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds	\$ 11	\$ -	\$ 11 (2)
General Fund	-	9,770	9,770 (1)
 Total	 \$ 11	 \$ 9,770	 \$ 9,781

- (1) Represents budgeted transfers from the General fund.
(2) Represents other transfers.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth through the issuance of State Aid anticipation notes (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenses for short-term borrowings are accounted for in the Burgess school building fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2015:

Purpose	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
<i><u>Governmental Activities</u></i>				
Burgess School Project	\$ 2,530,000	\$ 2,635,053	\$ (2,530,000)	\$ 2,635,053

NOTE 8 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit however require the approval of the Commonwealth’s Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

The following is a summary of the changes in long-term debt for the year ended June 30, 2015:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
General Obligation	2.46	\$ 6,030,000	\$ -	\$ (335,000)	\$ 5,695,000
General Obligation	3.60	7,770,000	-	(535,000)	7,235,000
General Obligation	4.28	1,280,000	-	(110,000)	1,170,000
General Obligation	3.51	4,215,000	-	(350,000)	3,865,000
Total		\$ 19,295,000	\$ -	\$ (1,330,000)	\$ 17,965,000

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	\$ 1,280,000	\$ 626,552	\$ 1,906,552
2017	1,245,000	585,980	1,830,980
2018	1,145,000	542,105	1,687,105
2019	1,145,000	501,068	1,646,068
2020	1,145,000	461,443	1,606,443
2021 - 2025	5,685,000	1,707,966	7,392,966
2026 - 2030	5,200,000	692,031	5,892,031
2031 - 2032	1,120,000	30,225	1,150,225
Total	\$ 17,965,000	\$ 5,147,370	\$ 23,112,370

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Funds

Project	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
<u>Water Enterprise Fund</u>					
Water Treatment Facility	2.46	\$ 1,450,000	\$ -	\$ (85,000)	\$ 1,365,000
Well #4	4.50	661,048	-	(24,484)	636,564
Well #4	3.50	770,398	-	(28,534)	741,864
Well #4	4.00	2,057,179	-	(43,718)	2,013,461
Water - Rt. 131 & refunding	Var.	1,590,000	-	(155,000)	1,435,000
Total - Water Enterprise		<u>6,528,625</u>	<u>-</u>	<u>(336,736)</u>	<u>6,191,889</u>
<u>Sewer Enterprise Fund</u>					
MWPAT Sewer	2.00	8,661,364	-	(373,066)	8,288,298
Big Alum Sewer Phase I	2.12	700,000	-	(60,000)	640,000
Big Alum Sewer Phase II	2.13	660,000	-	(55,000)	605,000
Big Alum Sewer Phase III	2.08	125,000	-	(15,000)	110,000
Woodside Circle Sewers	2.32	640,000	-	(45,000)	595,000
MWPAT Sewer	2.00	5,220,533	-	(260,432)	4,960,101
Sewer Facilities Upgrade & refunding	Var.	3,340,000	-	(390,000)	2,950,000
MWPAT Sewer	Var.	1,161,200	-	(218,700)	942,500
MWPAT Sewer	Var.	895,000	-	(140,000)	755,000
MWPAT Sewer	Var.	29,344	-	(4,658)	24,686
Total - Sewer Enterprise		<u>21,432,441</u>	<u>-</u>	<u>(1,561,856)</u>	<u>19,870,585</u>
Total Business-Type activities		<u>\$ 27,961,066</u>	<u>\$ -</u>	<u>\$ (1,898,592)</u>	<u>\$ 26,062,474</u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,915,309	\$ 451,358	\$ 2,366,667
2017	1,917,680	404,654	2,322,334
2018	1,935,777	349,224	2,285,001
2019	1,863,979	307,216	2,171,195
2020	1,639,561	268,515	1,908,076
2021 - 2025	6,729,874	983,359	7,713,233
2026 - 2030	6,117,126	576,735	6,693,861
2031 - 2035	2,965,545	288,648	3,254,193
2036 - 2040	804,679	132,437	937,116
2041	172,944	6,898	179,842
Total	<u>\$ 26,062,474</u>	<u>\$ 3,769,044</u>	<u>\$ 29,831,518</u>

Loans Authorized and Unissued

As of June 30, 2015, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Well # 4 Replacement	9/11/2001	\$ 65,529
WWTP Upgrade/Expansion	4/28/2008	1,916,000
Burgess Elementary School	10/19/2009	16,872,285
Mountainbrook Drainage	6/3/2013	300,000
Street Sweeper	6/1/2015	270,000
Self Contained Breathing Apparatus	6/1/2015	139,000
Total		<u>\$ 19,562,814</u>

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 19,295,000	\$ -	\$ (1,330,000)	\$ 17,965,000	\$ 1,280,000
Compensated absences	344,231	90,316	-	434,547	201,724
Landfill closure & postclosure care costs	705,440	-	(12,670)	692,770	12,670
OPEB (Note 12)	6,598,470	1,116,012	-	7,714,482	-
Net pension liability (Note 13)	12,840,120	311,108	-	13,151,228	-
Total governmental activities long-term liabilities	<u>\$ 39,783,261</u>	<u>\$ 1,517,436</u>	<u>\$ (1,342,670)</u>	<u>\$ 39,958,027</u>	<u>\$ 1,494,394</u>
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 27,961,066	\$ -	\$ (1,898,592)	\$ 26,062,474	\$ 1,915,309

The governmental activities long-term liabilities are generally liquidated by the general fund.

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2015:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Tantasqua Regional School District	<u>\$ 15,200,000</u>	47.85%	<u>\$ 7,273,200</u>

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Community Preservation Fund	Burgess School Building Major Fund	Nonmajor Governmental Funds	TOTAL
Fund Balances					
Nonspendable					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 364,255	\$ 364,255
Restricted For:					
General Government	-	-	-	408,429	408,429
Public Safety	-	-	-	58,039	58,039
Education	-	-	-	574,704	574,704
Public Works	-	-	-	96,255	96,255
Human Services	-	-	-	555,555	555,555
Culture & Recreation	-	-	-	703,548	703,548
Reserved for Excluded Debt	270,251	-	-	-	270,251
Community Preservation	-	2,862,772	-	-	2,862,772
Expendable Trust Fund	-	-	-	436,855	436,855
	<u>270,251</u>	<u>2,862,772</u>	<u>-</u>	<u>2,833,385</u>	<u>5,966,408</u>
Committed To:					
Continuing Appropriations					
General Government	77,319	-	-	-	77,319
Public Safety	11,904	-	-	-	11,904
Public Works	223,226	-	-	-	223,226
Human Services	6,000	-	-	-	6,000
Culture & Recreation	86,306	-	-	-	86,306
Subsequent Years Expenditures	980,739	-	-	-	980,739
	<u>1,385,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,385,494</u>
Assigned To:					
Encumbered For:					
General Government	75,498	-	-	-	75,498
Public Safety	1,112	-	-	-	1,112
Education	5,977	-	-	-	5,977
Public Works	343,244	-	-	-	343,244
Culture & Recreation	716	-	-	-	716
Ambulance Stabilization Fund (838)	93,001	-	-	-	93,001
	<u>519,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>519,548</u>
Unassigned					
General Fund	3,145,716	-	-	-	3,145,716
General Stabilization Fund	1,921,903	-	-	-	1,921,903
Nonmajor Governmental Funds	-	-	-	(37,116)	(37,116)
Capital Project					
Education	-	-	(2,030,252)	-	(2,030,252)
	<u>5,067,619</u>	<u>-</u>	<u>(2,030,252)</u>	<u>(37,116)</u>	<u>3,000,251</u>
Total Governmental Fund Balances	<u>\$ 7,242,912</u>	<u>\$ 2,862,772</u>	<u>\$ (2,030,252)</u>	<u>\$ 3,160,524</u>	<u>\$ 11,235,956</u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – STABILIZATION FUND

The Town has established several funds where the Town has set aside amounts for emergency and capital needs. These funds consist of the following;

- The *Stabilization fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The Stabilization fund balance is \$1,921,903 as of June 30, 2015. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- The *Ambulance Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment and Ambulance vehicles, and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. The ambulance stabilization fund balance is \$93,001 as of June 30, 2015. This fund was established under Chapter 40 sub-section 5B of **MGL**.

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. The fully insurable value of the Town buildings is \$61,101,685

The Town has two contributory health care options for its employees. There are 115 employees and 22 retirees who participate in the Town's health care programs. The Town contributes 60% of the premium costs for active employees and 50% of the premium costs for retirees. In addition there are 53 medicare eligible retirees that are in a medex 2 plan.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2015.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Plan Description. The Town of Sturbridge's postretirement welfare benefit plan is a single-employer, defined benefit, healthcare plan administered by the Town of Sturbridge. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees' health and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, total Town premiums plus implicit costs for the retiree medical program are \$375,251.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost, for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the plan:

	Governmental Activities
Annual required contribution	\$ 1,572,061
Interest on net OPEB obligation	263,939
Adjustment to annual required contribution (ARC)	<u>(344,737)</u>
Annual OPEB cost (expense)	1,491,263
Contributions made	<u>(375,251)</u>
Increase in net OPEB obligation	1,116,012
Net OPEB obligation - beginning of year	<u>6,598,470</u>
Net OPEB obligation - end of year	<u><u>\$ 7,714,482</u></u>

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the six preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase in Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 1,247,079	26.90%	\$ 911,642	\$ 911,642
6/30/2010	\$ 1,333,856	28.29%	\$ 956,489	\$ 1,868,131
6/30/2011	\$ 1,254,269	22.47%	\$ 972,494	\$ 2,840,625
6/30/2012	\$ 1,330,500	33.26%	\$ 887,975	\$ 3,728,600
6/30/2013	\$ 1,735,233	18.01%	\$ 1,422,724	\$ 5,151,324
6/30/2014	\$ 1,823,623	20.64%	\$ 1,447,146	\$ 6,598,470
6/30/2015	\$ 1,491,263	25.16%	\$ 1,116,012	\$ 7,174,482

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was 0.84% funded. The actuarial accrued liability for benefits was \$16,349,309, and the actuarial value of assets was \$0.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,212,513. The covered payroll (annual payroll of active employees covered by the plan) was \$12,514,625, and the ratio of the UAAL to the covered payroll was 129.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as 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 the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF STURBRIDGE, MASSACHUSETTS
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In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, the normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to total service. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.00 % declining to 5.00% over six years. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at June 30, 2015, was 23 years.

NOTE 13 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Worcester Regional Retirement System (The System), a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the 95 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. Substantially all employees are members of the system except for public school teachers and certain school administrators who are members of the Massachusetts Teachers' Retirement System (MTRS) to which the Town does not contribute.

The "System" and the MTRS are contributory defined benefit plans and membership in both the "System" and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees.

The System issues a publically available audited financial report that may be obtained by contacting the system at 23 Midstate Drive, Suite 106 Midstate Office Park, Auburn, Massachusetts 01501. The report can also be obtained online at <http://worcesterregionalretirement.org/>. The MTRS issues a publically available audited financial report that may be obtained by contacting MTRS at One Charles Park, Cambridge, Massachusetts 02142-1206.

B. Benefits Provided

The System and MTRS provide retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. For persons who become members prior to April 2, 2012, the annual amount of retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. For persons who become members on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by the state law. Assuming normal retirement at age 67, this percentage is 2.5%. Members become vested after ten years of creditable service.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not disability is work related, the employees age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted through June 30, 1998, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted subsequent to June 30, 1998 must be approved by the system and all costs are borne by the system.

C. Contributions

Worcester Regional Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross compensation. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2015 which was \$873,386 and 15.22% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Massachusetts Teachers' Retirement System

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributes to the MTRS. The Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth of Massachusetts, and thus the Town is not required to contribute. The Commonwealth of Massachusetts contributed "on-behalf" payments to the MTRS totaling \$1,089,844 for fiscal year 2015. In accordance with GASB Statement No. 68, these on-behalf" payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

D. Pension Liabilities, Pension Expense, and Deferred Inflows or Resources Related to Pensions

Pension Liabilities

At June 30, 2015 the Town reported a liability of \$13,151,228 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Town's proportion was 2.21% which was no increase from its proportion measured as of December 31, 2013.

Pension Expense and Deferred Inflows of Resources

For the year ended June 30, 2015 the Town recognized pension expense of \$1,176,584. At June 30, 2015 the Town reported deferred outflows of resources related to pensions of \$7,910 from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in future pension expense are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2016	\$ 1,978
2017	1,978
2018	1,977
2019	<u>1,977</u>
Totals	<u><u>\$ 7,910</u></u>

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Actuarial assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014.

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Payment increases 4.0% per year, except for early retirement incentive (ERI) programs for 2002 and 2003 (4.5%) and 2010 (level dollar).
Remaining amortization period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (level dollar)
Asset valuation method	5 year smoothed market value
Inflation rate	not explicitly assumed for the update to December 31, 2014 (3.5% per year for the actuarial valuation as of January 1, 2014)
Salary increases	3.09% per year, including longevity
Mortality rates:	
Pre-retirement	Based on the RP-2000 mortality table projected to 2014 with scale AA.
Post-retirement	For disabled lives, the mortality rates were based on the RP – 2000 mortality table set forward two years
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	23%	5.05%
Global equity	43%	8.23%
Private equity	10%	9.75%
Real estate	10%	6.50%
Timber/Natural Resources	4%	6.88%
Hedge funds	10%	7.00%
Total	<u>100%</u>	

For the year ended December 31, 2014 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 7.79%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with section 22D and 22F of Chapter 32 of Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

G. Sensitivity of the net pension liability to changes on the discount rate

The following presents the net pension liability of the system, calculated using the discount rate of 8.0%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
The Towns proportionate share of the net pension liability	\$ 16,011,893	\$ 13,151,228	\$ 10,721,648

Detailed information about the pension plan's fiduciary net position is available in a separately issued Worcester Regional Retirement System financial report.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2015, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

State and federal regulations require the Town to place final covers on its municipal solid waste landfill ("MSWLF") site when the site stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In accordance with provisions of GASB No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the Town has determined its liability related to closure and postclosure care for its MSWLF based on landfill capacity used to date. The \$692,770 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 60% of the estimated capacity of the operating landfill. This liability has been recorded in the statement of Net position, Governmental Activities. The Town will recognize the remaining estimated costs of closure and post closure care of approximately \$352,040 as the remaining estimated capacity is filled. The Town's original landfill was capped in fiscal year 1987 and the Town is responsible for post closure monitoring of the site two more years. Also, the Town's second of three landfills (**cell A**) was capped in fiscal year 2010 and will require post closing monitoring for 24 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Town is under no required timetable to cover its MSWLF in accordance with applicable laws and regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

**TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 – RESTATEMENT DUE TO A CHANGE IN ACCOUNTING STANDARDS

During 2015, GASB Statement #68, Accounting and Financial Reporting for Pensions was implemented. This resulted in a restatement of the governmental activities beginning net position at June 30, 2014 to reflect the recording net pension liability.

Statement of Net Position	
Description	Primary Governmental Activities
Total Net Position at June 30, 2014, as previously reported	\$ 41,488,243
To record the beginning net pension liability	<u>(12,840,120)</u>
Total Net Position at June 30, 2014, as restated	<u>\$ 28,648,123</u>

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2015, the following GASB pronouncements were implemented:

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was implemented in fiscal year 2015. This pronouncement had a significant impact on the basic financial statements. Financial statement changes include the recognition of a net pension liability, pension expense, and deferred inflows/outflows of resources. As noted in Note 15, the financial statements also required a restatement of net position at the beginning of the year.

The GASB issued **Statement #69**, *Government Combinations and Disposals of Government Operations*, was implemented in fiscal year 2015. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was implemented in fiscal year 2015. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68, was implemented in fiscal year 2015. This pronouncement has a significant impact on the basic financial statements.

TOWN OF STURBRIDGE, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Future GASB Pronouncements:

The GASB issued **Statement #72**, *Fair Value Measurement and Application*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #73**, *Accounting and Financial Reporting for Pension and Realized Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statements 68, which are effective for 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF STURBRIDGE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2015**

The following schedules are presented in accordance with GASB Statement No. 27:

Schedules of Funding Progress

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 Percentage of Covered Payroll [(b - a)/c]
1/1/2014	\$ 488,346,471	\$1,087,769,903	\$ 599,423,432	44.9%	\$252,829,591	237.1%
1/1/2012	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$238,952,079	228.5%
1/1/2010	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$241,992,607	185.6%
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$211,518,755	143.3%

Schedule of Employer Contributions

Fiscal Year Ended June 30	<u>System Wide</u>			<u>Town of Sturbridge</u>	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2015	\$ 40,135,980	\$ 40,135,980	100%	\$ 873,386	2.18%
2014	\$ 37,510,266	\$ 37,510,266	100%	\$ 839,529	2.24%
2013	\$ 35,056,320	\$ 35,056,320	100%	\$ 807,201	2.30%
2012	\$ 33,072,000	\$ 33,072,000	100%	\$ 733,801	2.22%

**TOWN OF STURBRIDGE, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 WORCESTER REGIONAL RETIREMENT SYSTEM
 JUNE 30, 2015**

The following schedules are presented in accordance with GASB Statement No. 68

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>December 31, 2014</u>
Town's proportion of the net pension liability	2.21%
Town's proportionate share of the net pension liability	\$ 13,151,228
Town's covered-employee payroll (1)	\$ 5,738,806
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	229.16%
Plan fiduciary net position as a percentage of the total pension liability	47.94%

(1) Covered employee payroll as reported in the January 1, 2014 actuarial report.

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF STURBRIDGE, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 WORCESTER REGIONAL RETIREMENT SYSTEM
 JUNE 30, 2015**

SCHEDULE OF TOWNS CONTRIBUTION

	December 31, 2014
Actuarially determined contribution (1)	\$ 873,386
Contribution in relation to the actuarially determined contribution	(873,386)
Contribution deficiency (excess)	\$ -
Town's covered-employee payroll (2)	\$ 5,738,806
Contribution as a percentage of covered - employee payroll	15.22%

(1) Based on the results on the January 1, 2014 actuarial valuation (including assumptions and methods) for the System which determined the Town's budgeted appropriation for fiscal year 2015.

(2) Town's covered employee payroll as reported in the January 1, 2014 system actuarial valuation report.

Note: This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF STURBRIDGE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM
JUNE 30, 2015**

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
Teacher's Pension Plan**

	<u>2015</u>
Towns' proportion of the net pension liability (asset)	0%
Commonwealth's proportion of the net pension liability (assets)	100%
Commonwealth's proportionate share of the net pension liability associated with the district	\$ 15,686,891
Employer pension expense and revenue for Commonwealth support	\$ 1,089,844

**TOWN OF STURBRIDGE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015**

The following schedules are presented in accordance with GASB Statement No. 45:

Schedules of Funding Progress and Employer Contributions

Schedule of Funding Progress:

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 Percentage of Covered Payroll [(b - a)/c]
1/1/2008	\$ -	\$ 14,617,971	\$ 14,617,971	0.0%	\$ 10,422,484	140.3%
7/1/2010	\$ -	\$ 16,109,814	\$ 16,109,814	0.0%	\$ 11,672,283	138.0%
7/1/2012	\$ 99,731	\$ 18,193,491	\$ 18,093,760	0.5%	\$ 11,824,000	153.0%
7/1/2014	\$ 136,796	\$ 16,349,309	\$ 16,212,513	0.8%	\$ 12,514,625	129.6%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,247,079	26.9%	\$ 911,642	\$ 911,642
2010	\$ 1,333,856	28.3%	\$ 956,489	\$ 1,868,131
2011	\$ 1,254,269	22.5%	\$ 972,494	\$ 2,840,625
2012	\$ 1,330,500	33.3%	\$ 887,975	\$ 3,728,600
2013	\$ 1,735,233	18.0%	\$ 1,422,724	\$ 5,151,324
2014	\$ 1,823,623	20.6%	\$ 1,447,146	\$ 6,598,470
2015	\$ 1,491,263	25.2%	\$ 1,116,012	\$ 7,174,482

The required information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2014
Discount Rate	4.00%
Medical Trend	8.00% declining to 5.00% over six years
Cost Method	Projected Unit Credit Actuarial Cost Method

**TOWN OF STURBRIDGE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2015**

Amortization Method	Level dollar amount over 30 years at transition
Remaining Amortization Period	23

Plan Participants:

Current retirees, beneficiaries, and dependants	54
Current active members/participants	<u>237</u>
Total	<u><u>291</u></u>

**TOWN OF STURBRIDGE, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2015**

Pension Plan Schedules

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contribution

Governmental employees are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based in covered payroll.



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(Date of Delivery)

Barbara Barry, Treasurer
Town of Sturbridge
Sturbridge, Massachusetts

\$2,945,000
Town of Sturbridge, Massachusetts
General Obligation Municipal Purpose Loan of 2015 Bonds
Dated December 15, 2015

We have acted as bond counsel to the Town of Sturbridge, 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 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.

LOCKE LORD LLP

AM 56408854.1

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Sturbridge, Massachusetts (the “Issuer”) in connection with the issuance of its \$2,945,000 General Obligation Municipal Purpose Loan of 2015 Bonds dated December 15, 2015 (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.

“Obligated Person” shall mean the Issuer.

“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.

(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 December 14, 2015 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, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. 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 Obligated Person.*
 13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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 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

* 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 Obligated Person 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 Obligated Person, 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 Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond 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: December __, 2015

TOWN OF STURBRIDGE,
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
\$2,984,000*
Sturbridge, Massachusetts
Municipal Purpose Loan of 2015 Bonds
Bank-Qualified**

Sale Date: December 14, 2015

Barbara Barry, Treasurer
Town of Sturbridge, Massachusetts
c/o Eastern Bank, Municipal Finance Department
265 Franklin Street
Boston, Massachusetts 02110

Dear Ms. Barry:

For all of \$2,984,000* Town of Sturbridge, Massachusetts, General Obligation Municipal Purpose Loan of 2015 Bonds as further described in the Notice of Sale dated December 8, 2015, 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>
2016.....	%	2024.....	%
2017.....		2025.....	
2018.....		2026.....	+
2019.....		2027.....	+
2020.....		2028.....	+
2021.....		2029.....	+
2022.....		2030.....	+
2023.....			

+TERM BONDS (Optional)

\$ _____ Term Bond maturing on July 15, _____ at _____% per annum

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 \$2,984,000* General Obligation Municipal Purpose Loan of 2015 Bonds under the foregoing proposal:

BID MUST INCLUDE A PREMIUM OF AT LEAST \$55,000

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) 235-8102 or 235-8104 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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