

FINAL OFFICIAL STATEMENT DATED FEBRUARY 3, 2015

In the opinion of Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP), Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended ("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.)

**\$1,950,000
TOWN OF AMHERST
Massachusetts**

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS

Dated: Date of Delivery (February 17, 2015)

Due: February 15, 2016-2025

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND/OR YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>
2016	\$200,000	4.00%	0.30%	2021	\$200,000	4.00%	1.18%
2017	200,000	5.00	0.60	2022	200,000	4.00	1.37
2018	200,000	5.00	0.70	2023	200,000	2.00	1.53
2019	200,000	4.00	0.81	2024	200,000	2.00	1.68
2020	200,000	4.00	1.00	2025	150,000	2.00	1.80

Principal of the Bonds will be payable February 15 of the years in which the Bonds mature. Interest from the date of the Bonds will be payable on August 15, 2015 and semi-annually thereafter on each February 15 and August 15 until their final maturity. The Bonds will be subject to redemption prior to their stated dates of maturity as described herein.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

The legality of the Bonds will be approved by Locke Lord Edwards LLP (successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, serves as financial advisor to the Town. It is expected that the Bonds, in definitive form, will be delivered to DTC, or the offices of its custodial agent, on or about February 17, 2015.

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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.

ISSUE SUMMARY STATEMENT

Issuer: Town of Amherst, Massachusetts

Date of Sale: Tuesday, February 3, 2015 at 11:00 A.M (Eastern Standard Time)

Method of Sale: Sealed and Electronic Bids

Minimum Bid: Par plus accrued interest, if any, to the date of delivery

Location of Sale: UniBank Fiscal Advisory Services, Inc., 49 Church St., Whitinsville, MA

Issue: \$1,950,000 General Obligation Municipal Purpose Loan of 2015 Bonds, Book-Entry Only (See “Book-Entry Transfer System”, herein.)

Dated Date of Bonds: Date of Delivery (February 17, 2015)

Maturity Date of Bonds: Serially on February 15, 2016-2025, as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated dates of maturity as described herein.

Credit Rating: Standard and Poor’s Ratings Services rating is pending.

Security: The Bonds are valid general obligations of the Town of Amherst, Massachusetts and the principal of and interest on the Bonds are payable from ad valorem taxes which may be levied upon all property within the territorial limits of the Town and taxable by it, subject to the limit imposed by Chapter 59, Section 21C of the General Laws. (Proposition 2½).

Basis of Award: Lowest true interest cost (TIC) as of the dated date.

Tax Exemption: Refer to Tax Exemption and Appendix C – “Proposed Form of Legal Opinion” herein.

Continuing Disclosure: Refer to Continuing Disclosure and Appendix D – “Proposed Form of Continuing Disclosure Certificate” herein.

Bank Qualification: **The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.**

Paying Agent: U.S. Bank National Association, Boston, Massachusetts

Legal Opinion: Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts

Delivery and Payment: It is expected that the Bonds will be delivered to DTC, or the offices of its custodial agent, against payment to the account of the Town in federal reserve funds on or about February 17, 2015.

Issue Contacts: Claire E. McGinnis, Treasurer, Town of Amherst,
Telephone (413) 259-3020
David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc.,
Telephone (508) 849-4222
Richard A. Manley, Jr., Esq., Locke Lord LLP, Boston,
Massachusetts. Telephone (617) 239-0384

Additional Information: Refer to the Preliminary Official Statement dated January 22, 2015

NOTICE OF SALE

**TOWN OF AMHERST
Massachusetts**

\$1,950,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS

The Town of Amherst, Massachusetts, will receive sealed and electronic proposals until 11:00 A.M (Eastern Standard Time), on

Tuesday, February 3, 2015

at UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, for the purchase of the following described Bonds:

\$1,950,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS, payable February 15 of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2016	\$200,000	2021	\$200,000
2017	200,000	2022	200,000
2018	200,000	2023	200,000
2019	200,000	2024	200,000
2020	200,000	2025	150,000

The Bonds will be dated as of the Date of Delivery. Interest from the date of the Bonds will be payable on August 15, 2015 and semi-annually thereafter on each February 15 and August 15 until their final maturity. Principal of and interest on the Bonds will be paid as described below. The Bonds maturing in the years 2016 through 2023, inclusive, are not subject to redemption prior to their stated dates of maturity.

The Bonds maturing on February 15, 2024 and February 15, 2025 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after February 15, 2023 either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

For Bonds maturing on February 15, 2024 and February 15, 2025, bidders may specify that all of the principal amount of such Bonds, may in lieu of having separate maturity dates, be combined to comprise a Term Bond, and shall be subject to mandatory redemption or mature at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule.

The Term Bond, if any, shall be subject to mandatory redemption on February 15 in the year or years immediately prior to the stated maturity of such Term Bond (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, (DTC), or its custodial agent, and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Town nor the Paying Agent will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The legality of the Bonds will be approved by Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP), Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Electronic proposals will be submitted through *i-Deal*[®]. If any provisions in this Notice of Sale conflict with information provided by *i-Deal*[®], this Notice of Sale shall control. Further information about *i-Deal*[®], including any fees charged, may be obtained from *i-Deal*[®] at (212) 849-5000. The Town assumes no responsibility or liability for bids submitted through *i-Deal*[®]. An electronic bid made in accordance with this Notice of Sale shall be deemed an irrevocable 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 should be sealed, marked "Proposal for Bonds" and addressed to **Ms. Claire E. McGinnis, Treasurer, Town of Amherst, c/o UniBank Fiscal Advisory Services Inc., 49 Church Street, Whitinsville, Massachusetts 01588.** Proposals delivered as specified will be accepted. Blank bid forms with signature may be sent to UniBank Fiscal Advisory Services, Inc. or faxed at (508) 234-1938 prior to submitting the bids, with actual bids telephoned to (508) 849-4222, at least one half hour prior to the 11:00 A.M. (Eastern Standard Time) sale. UniBank Fiscal Advisory Services, Inc. will act as agent for the bidder in submitting the bids, but neither UniBank Fiscal Advisory Services, Inc. nor the Town is responsible for any errors with respect to bids submitted in this manner. A good faith deposit is not required.

Bidders 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, and (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. No bid of less than par and accrued interest to date of delivery will be considered.

As between proposals which 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 February 17, 2015, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. 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.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of February 3, 2015 (the "Sale Date"), the Purchaser 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 set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

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 his contractual obligations arising from the acceptance of a proposal for the purchase of the Bonds. Should the successful bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the successful bidder, except for the fee paid to Standard & Poor's Ratings Services for the rating of the Bonds. Any such fee paid to Standard & Poor's Ratings Services would be borne by the Town.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that the bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP) of Boston, Massachusetts, substantially in the form of Appendix C of the Preliminary Official Statement dated January 22, 2015 included herein, (see "Tax Exemption" and Appendix C in the Preliminary Official Statement), (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 her knowledge and belief, both as of the date of sale and of the date of delivery of the Bonds, the Preliminary Official Statement referred to below 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 therein, in the light of the circumstances under which they were made, not misleading; and (d) a Continuing Disclosure Certificate to be dated as of the date of the Bonds and incorporated by reference in the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any bond, nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for 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.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, 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.

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or the offices of its custodial agent, on or about February 17, 2015.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated January 22, 2015, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c 2-12(b)(1). Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, Massachusetts 01588, telephone (508) 849-4222. Within seven (7) business days following award of the Bonds in accordance herewith, 50 copies of a Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the successful bidder's expense.

The right is reserved to reject any or 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.

**TOWN OF AMHERST
Massachusetts**

/s/ Claire E. McGinnis
Treasurer

Dated: January 22, 2015

OFFICIAL STATEMENT

**TOWN OF AMHERST
MASSACHUSETTS**

\$1,950,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Amherst, Massachusetts (the "Town") in connection with the sale of the \$1,950,000 General Obligation Municipal Purpose Loan of 2015 Bonds dated as of the Delivery Date (February 17, 2015) (the "Bonds") of the Town.

The Bonds are being offered for sale at public bidding and a Notice of Sale dated January 22, 2015, has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

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 security for the Bonds is more fully described under the caption Security and Remedies. See also the caption Opinion of Bond Counsel.

Questions regarding information contained in this Official Statement or other matters should be directed to Claire E. McGinnis, Town Treasurer (413) 259-3020, David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc. (508) 849-4222, or Richard A. Manley, Jr., Locke Lord LLP (617) 239-0384.

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

PART I
THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated as of the Delivery Date and will mature on February 15 of the years and in the principal amounts as follows:

<u>Due</u> <u>February 15</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 15</u>	<u>Principal</u> <u>Amount</u>
2016	\$200,000	2021	\$200,000
2017	200,000	2022	200,000
2018	200,000	2023	200,000
2019	200,000	2024	200,000
2020	200,000	2025	150,000

The Bonds will bear interest at the rate or rates per annum specified by the successful bidder.

Principal and semi-annual interest will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, acting as paying agent (the "Paying Agent"). Interest from the date of the Bonds will be payable on August 15, 2015 and semi-annually thereafter on each February 15 and August 15 until their final maturity. So long as The Depository Trust Company ("DTC"), New York, New York or its nominee, Cede & Co., is the Bondowner, such payments of principal and interest on the Bonds 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 are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See Book-Entry Transfer System herein.)

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, under certain circumstances, 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 Transfer 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 each such certificate will be deposited with DTC.

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

Purchases of securities 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 deposited with DTC ("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 securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of 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 or its paying agent 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 Beneficial Owners.

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

DTC Practices

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

AUTHORIZATION AND USE OF PROCEEDS

\$700,000 par amount of the Bonds is authorized under Chapter 44, Section 7(3A), of the Massachusetts General Laws, as amended, and a vote of the Town passed on May 5, 2014, for the purpose of making repairs and improvements to the East Street School. Proceeds will be used for project and related costs.

\$1,250,000 par amount of the Bonds is authorized under Chapter 44, Section 7(3), and Chapter 44B, Section 11, of the Massachusetts General Laws, as amended, and a vote of the Town passed on June 2, 2014 for the purpose of acquiring a permanent affordable housing restriction on certain apartments located within the Town. **Debt service on this portion of the Bonds is expected to be supported, in the first instance, by Community Preservation Fund revenues.** Proceeds will be used to purchase the restriction and for related costs.

REDEMPTION

Bonds maturing in the years 2016 through 2023, inclusive, are not subject to redemption prior to their stated dates of maturity.

Bonds maturing on February 15, 2024 and February 15, 2025 are subject to redemption prior to maturity, at the option of the Town, on and after February 15, 2023, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds, prior to their maturities, specifying the Bonds (or portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. If moneys for the redemption are held by the Paying Agent on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the Bonds (or portions thereof) called for redemption shall cease to accrue.

Mandatory Redemption

The Term Bond, if one is specified by the successful bidder, will be subject to mandatory redemption on February 15 in the year immediately prior to the stated maturity of such Term Bond (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 thereof plus accrued interest to the redemption date.

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 TYPES OF OBLIGATIONS herein) and setoffs of state distributions as described below (see **State Distributions** herein), 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 **Tax Limitations Under PROPERTY TAX** herein.) 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 DEBT LIMITS herein.) 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 **Tax Limitations** under PROPERTY TAX herein.) 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 receipts may be used only for water, gas and electric, community antenna television system, telecommunications, community preservation and affordable housing, 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 energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned of 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 TYPES OF OBLIGATIONS herein) 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 (the “MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (the “MWRA”) if the city or town is within the territory served by the 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 currently 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 have been approved or made.

OPINION OF BOND COUNSEL

A copy of the legal opinion of the firm of Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP), of Boston, Massachusetts (see Appendix C), will be furnished to the successful bidder. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. On January 10, 2015, Edwards Wildman Palmer LLP merged with the law firm Locke Lord LLP. The legal name of the merged firm is Locke Lord LLP.

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

TAX EXEMPTION

In the opinion of Locke Lord LLP (successor by merger to Edwards Wildman Palmer LLP), Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (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 has not opined as to the taxability of the Bonds or the income therefrom 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 semi-annually (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 or deduction. Except as indicated in the following paragraph, 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.

RATING

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

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 the Town by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town is the only "obligated person" with respect to the Bonds within the meaning of the Rule. For the past five years, the Town has not failed to comply with any previous undertaking to provide annual reports or notices of significant events in accordance with the Rule, except as noted below.

The Town's audited financial statements were filed on the Electronic Municipal Market Access service (EMMA) of the Municipal Securities Rulemaking Board (MSRB) for fiscal year 2012 on March 13, 2014 and for fiscal year 2010 on December 1, 2014.

PART II

THE TOWN

Amherst, incorporated as a Town in 1759, is governed by the selectmen-representative town meeting form of government.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

Massachusetts cities and towns are subject to the plenary legislative power of the Commonwealth. As stated by the Supreme Judicial Court:

A town is not an independent sovereignty. It is merely a subordinate agency of State government. It is a creature of the Commonwealth, from which are derived all its powers and those of its voters and officers.

Cities and towns provide general governmental services at the local level. Municipalities were traditionally authorized to exercise only those powers granted by the State legislature, but Massachusetts adopted a Home Rule Amendment to its Constitution in 1966, under which a city or town may exercise by ordinance or by-law any power which the State legislature could confer upon it, provided that the ordinance or by-law is consistent with the laws enacted by the State legislature. Certain powers are excluded from home rule and may still be exercised only when authorized by State law. Such powers include the power to levy taxes, the power to borrow money, and the power to enact private or civil laws governing civil relationships except as an incident to the exercise of an independent municipal power. Under the Home Rule Amendment the State legislature may enact general laws relating to a class of two or more municipalities but (except in limited circumstances) may enact a special law relating to a particular city or town only on request of the city or town or on recommendation of the governor and passage by a two-thirds vote of both houses of the legislature.

An amendment to the State Constitution provides that any law imposing additional costs on two or more cities or towns by regulating aspects of municipal employment will not be effective within a city or town until the city council or town meeting accepts the law. Local acceptance is not required if the legislature has either passed the law by a two-thirds vote or provided that the additional costs would be assumed by the State.

Cities and towns may change their form of government by adopting home rule charters or amending existing charters. A town of less than 12,000 population may not change to a city form of government and a town of less than 6,000 inhabitants may not change from the open town meeting form of government to a limited or representative town meeting form.

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns", have adopted a similar form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

Most towns are governed by open town meetings in which any voter may participate. Others have an elected representative town meeting, often with public officers serving as ex officio members of the town meeting. Provision is usually made for a referendum on actions of the representative town meeting upon petition of a sufficient number of voters. Administrative affairs are generally managed by a board of three or more selectmen, sometimes with the assistance of a town manager or executive secretary.

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by a representative town meeting consisting of 254 elected town meeting members. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of five selectmen who are elected on an at-large basis for staggered three-year terms.

School affairs are administered by an elected school committee of five persons, while local taxes are assessed by a board of three assessors.

The following is a list of the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	Aaron A. Hayden, Chair	Elected/3 years	2015
	Alisa V. Brewer	Elected/3 years	2016
	James Wald	Elected/3 years	2016
	Constance E. Kruger	Elected/3 years	2017
	Andrew J. Steinberg	Elected/3 years	2017
Town Manager	John P. Musante	Appointed	Indefinite
Finance Director	Sanford Pooler	Appointed	Indefinite
Treasurer/Collector	Claire E. McGinnis	Appointed	Indefinite
Comptroller	Sonia R. Aldrich	Appointed	Indefinite
Town Clerk	Sandra Burgess	Appointed	Indefinite
Town Counsel	Joel Bard, Esq.	Appointed	Indefinite

SERVICES

The Town provides general governmental services for the territory within its boundaries including police and fire protection, water services to 95% of the population of the Town, sewer services to 90% of the population of the Town, public education in grades pre-Kindergarten through six, solid waste disposal, libraries, streets, parks and recreation, including a municipal golf course. The Town also owns over 2,000 acres of conservation land with approximately 80 miles of trails, and over 1,841 acres of land restricted to agricultural/farmland use.

Students in grades 7 through 12 attend the Middle and Senior High Schools operated by the Amherst-Pelham Regional School District.

Legislation enacted in 1997 abolished 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 response to a 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 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation 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 exceeding 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 (or two years prior in the case of Essex 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 other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

Serial bonds and notes are authorized by a two-thirds vote of the representative town meeting subject to a referendum period as provided by law. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

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 loans in anticipation of the revenue of the current fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Selectmen.

DEBT LIMITS

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit for the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The present debt limit of the Town, based on the 2014 equalized valuation, is \$110,836,755. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board.

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 per cent 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.

Revenue Anticipation Notes. 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" herein). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

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 equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the Massachusetts Department of Revenue (“DOR”). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work, improvement, or asset not specifically listed in the Statutes that has a useful life or 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 state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds and 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. They must generally 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 to general obligation bonds and notes, 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. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt outstanding as of February 17, 2015, including the Bonds:

General Obligation Bonds:

Within General Debt Limit (2)(3)		
Sewers & Drains (4)	\$ 4,744,200	
Land Acquisition	360,000	
Schools	1,055,000	
Other Building	1,480,800	
Streets Sidewalks & Parking	3,500,000	
Departmental Equipment	915,000	
Other	381,000	
The Bonds	<u>1,950,000</u>	
Total Within Debt Limit		\$14,386,000
Outside General Debt Limit:		
Water (4)	4,600,000	
Other Outside	<u>306,050</u>	
Total Outside Debt Limit		<u>4,905,050</u>
Total Bonds		\$19,291,050
Temporary Loans in Anticipation of:		
Revenue	\$ 0	
Bonds	0	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 0</u>
Total Direct Debt (4)		<u>\$19,291,050</u>

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

(2) At the present time, the normal general debt limit is \$110,836,755 and the double general debt limit is \$221,673,510.

(3) **\$26,050 has been exempted from the limitations of Proposition 2 1/2.**

(4) \$10,441,700 par amount is expected to be self-supporting.

AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCING

Following delivery of the Bonds, the Town will have \$1,322,411 par amount of authorized unissued debt.

\$1,000,000 of this amount is for a feasibility study for an addition to and renovation of the Wildwood Elementary School. The Massachusetts School Building Authority (MSBA) has awarded a grant reimbursing 68.4 percent of the cost of the study. The Town expects to issue bond anticipation notes before the end of fiscal 2015 to finance local share of the cost of the study, with permanent financing to follow in fiscal 2016.

\$322,411 par amount is to purchase departmental equipment. The Town expects to finance these purchases by the sale of short-term notes.

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Bonds:					
Sewers & Drains	\$ 4,959,600	\$ 4,282,000	\$ 313,000	\$ 300,000	\$ 400,000
Land Acquisition	410,000	400,000	450,000	500,000	0
Schools	1,265,000	1,520,000	1,829,000	1,720,000	1,980,000
Other Building	1,692,400	1,954,000	1,766,000	2,073,000	2,426,450
Streets Sidewalks	4,050,000	4,665,000	4,180,000	4,695,000	260,000
Departmental Equipment	945,000	150,000	0	0	0
Other Inside General	406,000	125,000	0	0	0
Athletic and Recreational Facs.	48,000	96,000	144,000	192,000	240,000
Total Within General Debt Limit	<u>13,776,000</u>	<u>13,192,000</u>	<u>8,682,000</u>	<u>9,480,000</u>	<u>5,306,450</u>
Outside the General Debt Limit:					
Sewers	0	0	190,000	380,000	570,000
Water	4,600,000	3,800,000	4,000,000	695,000	1,368,550
Other Outside General	311,355	351,660	391,965	47,270	52,575
Total Outside the General Debt Limit	<u>4,911,355</u>	<u>4,151,660</u>	<u>4,581,965</u>	<u>1,122,270</u>	<u>1,991,125</u>
Total Long-Term Indebtedness	<u>18,687,355</u>	<u>17,343,660</u>	<u>13,263,965</u>	<u>10,602,270</u>	<u>7,297,575</u>
Temporary Loans in Anticipation of:					
Revenue	0	0	0	0	0
Bonds	0	0	0	400,000	220,000
Grants	0	0	0	0	0
Total Short-Term Indebtedness	<u>0</u>	<u>0</u>	<u>0</u>	<u>400,000</u>	<u>220,000</u>
Total Outstanding Indebtedness	<u>\$18,687,355</u>	<u>\$17,343,660</u>	<u>\$13,263,965</u>	<u>\$11,002,270</u>	<u>\$7,517,575</u>

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

BONDED DEBT VS. POPULATION, VALUATIONS AND INCOME

	(000 omitted)				
	As of June 30				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Amount (000 omitted) (1)	\$18,687	\$17,344	\$13,264	\$10,602	\$7,298
Per Capita (2)	\$480	\$446	\$340	\$281	\$193
Percent of Assessed Valuation (3)	0.91%	0.85%	0.65%	0.50%	0.34%
Percent of Equalized Valuation (4)	0.84%	0.78%	0.56%	0.45%	0.31%
Per Capita as a per cent of Personal Income per Capita (2)	2.42%	2.11%	1.71%	1.41%	0.97%

(1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.

(2) Source: U.S. Department of Commerce, Bureau of the Census - Latest applicable actuals or estimates.

(3) Assessed valuation used here is the assessed valuation for that fiscal year.

(4) Equalized valuation used here is the equalized valuation in effect for that fiscal year.

ANNUAL DEBT SERVICE (1)

Fiscal Year	Outstanding as of 2/17/15		Current Issue		Total Debt Service	Cumulative % Principal Retired (4)
	Principal (2)	Interest (2)	Principal	Interest (3)		
2015	\$ 751,000	\$ 224,284	\$ 0	\$ 0	\$ 975,285	3.9%
2016	2,050,210	432,760	200,000	43,631	2,726,601	15.6
2017	1,885,210	375,585	200,000	39,375	2,500,170	26.4
2018	1,875,210	323,036	200,000	34,875	2,433,121	37.1
2019	1,750,210	271,436	200,000	30,375	2,252,021	47.2
2020	1,395,210	223,918	200,000	25,875	1,845,003	55.5
2021	1,245,000	183,250	200,000	21,375	1,649,625	63.0
2022	745,000	155,725	200,000	16,875	1,117,600	67.9
2023	685,000	139,200	200,000	12,375	1,036,575	72.5
2024	560,000	125,150	200,000	7,875	893,025	76.4
2025	500,000	112,350	150,000	3,375	765,725	79.8
2026	500,000	101,225	0	0	601,225	82.4
2027	500,000	89,725	0	0	589,725	85.0
2028	500,000	77,550	0	0	577,550	87.6
2029	500,000	65,250	0	0	565,250	90.2
2030	500,000	52,075	0	0	552,075	92.7
2031	500,000	38,175	0	0	538,175	95.3
2032	500,000	24,150	0	0	524,150	97.9
2033	300,000	10,000	0	0	310,000	99.5
2034	100,000	3,750	0	0	103,750	100.0%
Total	<u>\$17,342,050</u>	<u>\$3,028,596</u>	<u>\$1,950,000</u>	<u>\$ 236,006</u>	<u>\$22,556,652</u>	

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

(2) **Principal and interest on \$26,050 and interest totaling \$3,673 of previously issued debt is exempt from the limitations of Proposition 2 1/2.**

(3) Assumes average coupon rate of 2.25%

(4) Includes the current issue.

REVENUE ANTICIPATION BORROWING

The Town has not borrowed in anticipation of revenue in any of the last five fiscal years.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, 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 may be 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.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

Cities and towns are authorized to lease (as lessee) off-street parking facilities, school buildings, hospital equipment, data process equipment, energy conservation equipment and educational equipment for periods ranging up to 10 years. They may also lease equipment, with option to purchase, for a period up to 10 years. Contracts may also be made for the installment purchase of energy conservation equipment over a period up to 10 years. Cities and towns may also lease various properties as lessor. The Town has not entered into any lease or installment purchase contracts of a substantial nature.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

OVERLAPPING DEBT (1)

The following table indicates the portion of overlapping debt relating to the Town:

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Estimated Share of Amherst</u>	<u>Assessment for Operations and Debt Service Fiscal Year 2015</u>
Amherst-Pelham Regional School District (1)	\$ 3,720,000	\$994,000	76.62%	\$14,731,534
Pioneer Valley Regional Transit Authority (2)	\$0	\$0	11.94%	823,383

(1) Source: Amherst-Pelham Regional School District. The members of the District are the Towns of Amherst, Pelham, Leverett, and Shutesbury. The District receives an annual payment from the Massachusetts School Building Authority reimbursing approximately 67 percent of the project costs associated with District's current indebtedness. **The Town of Amherst has voted to exclude its capital assessment on account of these bonds from Proposition 2½.** Debt is as of February 17, 2015.

(2) Source: Pioneer Valley Regional Transit Authority. Debt is as of February 17, 2015.

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 payment in any year of the schedule is not less than 95 percent 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 recent legislation, 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 provisions 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 for 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. The Hampshire Regional Retirement System has elected to extend its amortization schedule. It currently projects full funding of the liability by fiscal year 2033.

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 participates in the contributory retirement system of the former Hampshire County. The annual contributions to the retirement system for the current year, the most recent years and a budgeted figure for 2015 are set forth below:

<u>Year</u>	<u>Total</u>
2015 (budgeted)	\$4,696,387
2014	4,396,020
2013	3,890,268
2012	3,638,867
2011	3,539,564

As of January 1, 2014, the most recent date available, the total estimated unfunded pension benefit obligation for the system as a whole was approximately \$180.935 million. Amherst's share is estimated at 26.75% of this total, or \$48,400,248. The interest rate assumed for calculation of the UAAL is 7.875%. The report can be obtained at <http://www.mass.gov/perac/hampshire/hampshireval14.pdf>.

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.

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 and towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits for fiscal year 2014 was \$1,954,918.

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which requires 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. 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. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post employment benefits liability in the same manner as traditional pension benefits.

The Town established an OPEB trust fund at the 2010 fall town meeting by adopting Section 20 of Chapter 32B, the state law that allows municipalities to establish OPEB trust funds. Since 2012, Town Meeting has appropriated \$1,935,323 into that fund. The Manager's proposed fiscal 2014 budget fully funded the ARCs for the Water and Sewer Enterprise funds; the fiscal 2015 budget continued funding the ARCs for those two enterprise funds and added \$100,000 toward the General Fund's liability. The fiscal 2016 budget recommends fully funding the ARC's in the Water, Sewer, and Transportation Funds and adding \$200,000 toward the General Fund's liability, in accordance with the Town's long-term funding plan.

The Town performed an actuarial valuation of its OPEB benefits. As of June 30, 2014, the Town had 902 participants in other post-employment benefits, of whom 513 were active employees and 389 were retirees or spouses of retirees. The annual required contribution (ARC), an amount if fully funded would cover normal cost plus any unfunded liabilities, was \$6,368,392, as of June 30, 2014, of which \$4,413,474 was not funded by the Town. As of June 30, 2014, the actuarial accrued liability for other post employment benefits was \$95,745,913.

Once finalized, the actuarial report prepared by Sherman Actuarial Services will be published on the Town's website at <http://www.amherstma.gov/index.aspx?NID=93>.

PROPERTY TAXATION AND VALUATION

Tax Rate and Valuation - General. 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 as 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.

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 her own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized valuation" (see DEBT LIMITS herein).

VALUATIONS

The following shows the assessed and equalized valuations for the current and most recent fiscal years:

	For Fiscal Year				
	<u>2015</u> (1)	<u>2014</u>	<u>2013</u>	<u>2012</u> (1)	<u>2011</u>
Real Property(2)	\$2,127,697,500	\$2,006,516,400	\$1,993,182,900	\$1,987,262,900	\$2,066,474,300
Personal Property(2)	<u>62,830,000</u>	<u>56,147,300</u>	<u>56,828,160</u>	<u>56,507,700</u>	<u>50,685,600</u>
Total	<u>\$2,190,527,500</u>	<u>\$2,062,663,700</u>	<u>\$2,050,011,060</u>	<u>\$2,043,770,600</u>	<u>\$2,117,159,900</u>
Equalized Value(3)	\$2,216,735,100	\$2,217,390,100	\$2,217,390,100	\$2,347,712,000	\$2,347,712,000
Percent of Total Assessed to Equalized Valuation	98.8%	93.0%	92.5%	87.1%	90.2%

(1) Revaluation year.

(2) As of January 1 of the prior year.

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

The following table shows the breakdown of the total assessed valuation for fiscal years 2015, 2014 and 2013 by classification:

Class	2015		2014		2013	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$1,966,756,470	89.8%	\$1,851,630,904	89.8%	\$1,839,983,064	89.8%
Commercial	156,271,630	7.2	150,328,496	7.3	148,642,836	7.3
Industrial	4,669,400	0.2	4,557,000	0.2	4,557,000	0.2
Personal	62,830,000	2.9	56,147,300	2.7	56,828,160	2.8
Total	<u>\$2,190,527,500</u>	<u>100.0%</u>	<u>\$2,062,663,700</u>	<u>100.0%</u>	<u>\$2,050,011,060</u>	<u>100.0%</u>

TAX RATES

The following shows the average tax rates per \$1,000 of assessed valuation, and the estimated full value rate based on the equalized valuations for the current and most recent fiscal years:

Fiscal Year	Actual Tax Rate	Estimated Full Value Rate (1)
2015	\$20.54	\$19.30
2014	20.97	18.51
2013	20.39	18.85
2012	19.74	17.18
2011	18.20	16.41

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

LARGEST TAXPAYERS (1)

The following shows the ten largest taxpayers:

Name	Nature of Business	Fiscal 2015		
		Assessed Valuation	Amount of Tax	% of Total Levy
Western Massachusetts Electric	Utility	\$ 34,726,800	\$ 713,288	1.59%
Amherst College	Real Estate Rentals	24,444,000	502,080	1.12
Jones Properties, Ltd.	Real Estate Rentals	23,308,700	478,761	1.06
GPT-RG Amherst LLC	Apartments	12,336,500	253,392	0.56
Northland Boulders	Apartments	11,743,700	241,216	0.54
Paul Properties	Apartments	10,217,500	209,867	0.47
Related Village Park	Apartments	10,217,000	209,857	0.47
Pioneer Valley Living Care	Senior Housing	8,017,500	164,679	0.37
Verizon New England	Utility	6,965,900	143,080	0.32
Related Village Park LLC	Apartments	6,891,400	141,549	0.31
		<u>\$148,869,000</u>	<u>\$3,060,769</u>	<u>6.81%</u>

(1) As of January 1, 2014. All of the largest taxpayers listed above are current on their real estate and personal property taxes.

TAX LEVIES

Levy-General. The principal tax of Massachusetts cities and towns 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 funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" herein. As to the inclusion of debt service and final judgments, see SECURITY AND REMEDIES herein.

The estimated receipts for a fiscal year from sources other than the property tax 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 deduction for appropriations voted from funds on hand 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 that 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" herein) 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" herein).

Taxation to Meet Deficits. As noted elsewhere (see "Abatements and Overlay" herein) 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 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, utilities must be paid at established 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.

Tax Limitations. Chapter 59, Section 21C of the General Laws, also known as Proposition 2 1/2, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 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 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 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 2 1/2 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 calculations 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.

Principal and interest on \$31,355 of currently outstanding debt is exempt from the limitations of Proposition 2 1/2.

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 2 1/2 limits the amount required to pay specified capital outlay expenditures. 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 2 1/2 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 2 1/2 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) 2.50 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 veteran 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 the statute 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 regulation 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.

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” herein).

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.

CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the details of the calculation of the tax levies for the current and most recent fiscal years:

	(000 omitted) For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Gross Amount to be Raised:					
Appropriations	\$78,733	\$77,510	\$75,086	\$72,198	\$68,772
Other Local Expenditures	1,191	363	233	121	525
State & County Charges	2,226	1,956	1,958	2,483	2,792
Overlay Reserve	<u>448</u>	<u>426</u>	<u>413</u>	<u>377</u>	<u>368</u>
Total Gross Amount to be Raised	<u>82,597</u>	<u>80,256</u>	<u>77,690</u>	<u>75,179</u>	<u>72,457</u>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	14,332	14,067	13,608	13,104	13,606
Estimated Receipts - Local	18,510	18,545	17,880	18,243	17,842
Available Funds Appropriated:					
Free Cash	1,524	1,681	1,520	663	66
Other Available Funds	3,113	2,710	2,663	2,760	2,411
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>125</u>	<u>0</u>	<u>218</u>	<u>65</u>	<u>0</u>
Total Estimated Receipts & Revenue	<u>37,604</u>	<u>37,002</u>	<u>35,890</u>	<u>34,835</u>	<u>33,925</u>
Net Amount to Be Raised (Tax Levy)	<u>\$44,993</u>	<u>\$43,254</u>	<u>\$41,800</u>	<u>\$40,344</u>	<u>\$38,532</u>

The following shows the calculation of levy limits for the current and most recent fiscal years:

	(000 omitted)				
	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Primary Levy Limit (1)	\$54,763	\$51,567	\$51,250	\$51,094	\$52,929
Prior Fiscal Year Levy Limit	43,045	41,551	40,046	38,607	35,667
2.5% Levy Growth	1,076	1,039	1,001	965	892
New Growth (2)	708	455	504	474	368
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,680</u>
Growth Levy Limit	44,828	43,045	41,551	40,046	38,607
Debt Exclusions	171	214	259	306	352
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	45,000	43,258	41,810	40,351	38,959
Tax Levy	<u>44,993</u>	<u>43,254</u>	<u>41,800</u>	<u>40,344</u>	<u>38,532</u>
Unused Levy Capacity (3)	<u>7</u>	<u>4</u>	<u>10</u>	<u>7</u>	<u>427</u>
Unused Primary Levy Capacity	<u>\$ 9,935</u>	<u>\$ 8,313</u>	<u>\$10,626</u>	<u>\$11,049</u>	<u>\$14,322</u>

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. 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, unless a city or town accepts a statute providing for quarterly tax payments. Under the 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. The Town voted to implement quarterly tax billing as of July 1, 1991. Interest accrues on delinquent taxes at the rate of 14 per cent per annum.

Lien. Real property (land and buildings) is subject to a lien for the taxes assessed upon it subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Personal Liability. 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 in "Taking and Sale" herein.

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date for the current and most recent fiscal years:

	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Tax Levy	\$44,993,435	\$43,254,058	\$41,799,726	\$40,344,032	\$38,532,310
Overlay Reserve for Abatements	448,120	426,042	413,331	376,985	368,633
Net Tax Levy (1)	<u>\$44,545,315</u>	<u>\$42,828,016</u>	<u>\$41,386,395</u>	<u>\$39,967,047</u>	<u>\$38,163,677</u>
Amount Collected During					
Fiscal Year Payable (2)	NA	\$42,723,356	\$40,931,961	\$39,620,358	\$37,771,476
Percent of Net Tax Levy	NA	99.7%	98.9%	99.1%	99.0%
Amount Collected Through					
11/30/14(2)	\$21,241,513	\$43,003,159	\$41,290,763	\$39,936,592	\$38,115,489
Percent of Net Tax Levy	49.8%	100.4%	99.8%	99.9%	99.9%

(1) Net after deduction 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.

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess 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. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following shows the abatements granted during the fiscal year as well as through a more recent date for the most recent fiscal years:

	For Fiscal Year				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax Levy	\$44,993,435	\$43,254,058	\$41,799,726	\$40,344,032	\$38,532,310
Overlay Reserve for Abatements	448,120	426,042	413,331	376,985	368,633
Percent of Tax Levy	1.0%	1.0%	1.0%	1.0%	0.9%
Abatements Granted:					
During Fiscal Year of Levy	NA	\$185,210	\$186,681	\$102,777	\$84,157
Through 12/1/14	NA	\$185,210	\$186,681	\$106,485	\$84,157

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 nonpayment of taxes. 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 in the same manner as other land held for municipal purposes.

Sale of Tax Receivables. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

TAXES OUTSTANDING

	For Fiscal Year				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Aggregate (1)	\$533,291	\$633,066	\$597,531	\$598,805	\$651,490
For Current Year (1)	501,146	611,078	549,086	575,498	618,875
Tax Titles and Tax Possessions	792,669	826,160	798,271	706,033	548,562

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

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of the Town are ordinarily made at the annual meeting, which takes place in April. Appropriations may also be voted at special meetings. The Finance Committee (also the Select Board) is required to submit reports and recommendations on proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under legislation enacted in 1981 any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In fiscal 1994 through budgeted 2014, the Town’s net school spending exceeded the minimum required local contribution.

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 and Valuation herein.)

Budget Comparison

The following table sets forth the general governmental budgets for fiscal years 2011 through 2015:

<u>Category</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government	\$ 6,333,845	\$ 6,400,243	\$ 6,088,418	\$ 6,091,477	\$ 6,037,195
Public Safety	9,596,952	9,099,025	8,877,651	8,497,470	8,394,386
Public Works	2,076,997	2,020,127	1,996,684	1,941,230	1,941,540
Planning & Conservation	1,161,383	1,010,878	927,560	885,862	745,073
Community Services	1,778,749	1,708,238	1,652,882	1,510,152	1,474,725
Library Services	1,788,533	1,741,512	1,690,789	1,644,736	1,541,736
Education (1)	35,954,471	36,148,029	35,224,178	34,264,764	33,520,329
Debt Service (2)	1,856,898	1,959,603	1,826,327	1,890,852	1,310,344
Enterprises	9,035,705	8,239,434	7,154,556	8,645,340	8,354,083
Enterprise Debt Service	827,779	784,902	714,786	1,080,464	1,100,032
Totals	<u>\$70,411,312</u>	<u>\$69,111,991</u>	<u>\$66,153,831</u>	<u>\$66,452,347</u>	<u>\$64,419,443</u>

(1) Includes Amherst Public Schools and assessment for Amherst-Pelham Regional School District.

(2) Includes capital assessment for bonds issued by the Amherst-Pelham Regional School District as well as repayment of the Teachers' Salary Deferral adopted for fiscal 1992 and 1993.

STATE 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. None of the programs have a termination date under existing law, 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 measure could restrict the amount of state revenues available for state aid to local communities.

The following table sets forth the amount of state aid to the Town in recent years as well as the amount budgeted for 2015:

<u>Fiscal Year</u>	<u>Total From State</u>
2015 (budgeted)	\$14,808,850
2014	14,204,022
2013	13,608,331
2012	13,129,003
2011	13,743,259

STATE SCHOOL BUILDING ASSISTANCE PROGRAM

Under its school building assistance program, the Commonwealth of Massachusetts 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 to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of the 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.

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 manufacturer's 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 following table shows the actual receipts from the motor vehicle excise in each of the most recent years:

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2014	\$1,540,811
2013	1,448,009
2012	1,559,389
2011	1,423,261
2010	1,355,180

(1) Net after refunds. Includes receipts for prior years.

ENTERPRISE FUNDS

The Town operates enterprise funds for its water and sewer utilities, as well as solid waste services and downtown parking.

The Town's Department of Public Works operates the water and sewer utilities. Ninety-five percent of the Town's population receives water service and 90 percent receives sewer service. Effective July 1, 2014, the water rate is \$3.45 per 100 cubic feet of metered water consumption; the sewer rate is \$3.65 per 100 cubic feet of metered water consumption. In fiscal 2014, water revenues totaling \$4,489,053 exceeded total water expenses (including debt service) of \$4,470,499. Sewer revenues totaling \$4,146,064 exceeded total sewer expenses of \$4,000,348.

The following table shows water revenues in the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$4,489,053
2013	4,077,410
2012	4,423,348
2011	4,256,993
2010	4,278,678

The following table shows sewer revenues in the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$4,146,064
2013	4,246,005
2012	3,983,806
2011	4,045,393
2010	3,847,219

The Town operates a solid waste transfer station and recycling center. These replaced a sanitary landfill, which closed in June 2002. Sufficient reserves were accumulated to pay closing costs and to provide a trust fund for long-term monitoring. In fiscal 2014, solid waste revenues totaled \$443,317 compared to expenses of \$528,743.

The following table shows solid waste revenues in the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$443,317
2013	495,491
2012	555,670
2011	503,289
2010	416,036

The Town accounts for its downtown parking operations, including a parking garage, in an enterprise fund. In fiscal 2014, transportation revenues totaled \$975,616 compared to expenses of \$966,412.

The following table shows parking revenues in the most recent fiscal years:

<u>Fiscal Year</u>	<u>Receipts</u>
2014	\$ 975,616
2013	1,065,445
2012	988,080
2011	1,002,077
2010	1,048,194

COMMUNITY PRESERVATION ACT

The Massachusetts Community Preservation Act (the “CPA” or the “Community Preservation Act”) 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 “TAX LEVIES” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

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

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

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has voted to accept the Community Preservation Act. Through fiscal year 2015, the Town has levied a one percent surcharge on property tax bills, with exemptions on the first \$100,000 of valuation on residential properties and on low income property taxpayers. Beginning in fiscal year 2016, the surcharge will be three percent of property tax bills, with exemptions on the first \$100,000 of valuation on residential properties and on low income property taxpayers. As of June 30, 2014, the Town’s Community Preservation Fund had a balance of \$310,297.

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, or lodging house rooms at a rate not to exceed four percent of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel, or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. The Town voted to impose the room occupancy excise tax at 6.00% as of October 1, 2009.

<u>Fiscal Year</u>	<u>Receipts</u>
2015 (1)	\$97,138
2014	348,191
2013	327,204
2012	239,686
2011	183,457

(1) Through September 30, 2014

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town adopted the local option tax as of October 1, 2009

The following table shows the actual receipts for the most recent fiscal years for the meals tax:

<u>Fiscal Year</u>	<u>Receipts</u>
2015 (1)	\$104,108
2014	447,986
2013	417,802
2012	399,287
2011	311,533

(1) Through September 30, 2014

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½.

The Town has not voted to create any development districts.

UNDESIGNATED GENERAL FUND BALANCE AND 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. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following shows the unassigned general fund balance and free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Unassigned/ Undesignated General Fund Balance (1)</u>	<u>Free Cash</u>
2014	\$9,489,834	\$4,860,062
2013	8,349,817	4,738,538
2012	5,020,451	4,326,501
2011	4,593,266	4,167,028
2010	3,696,483	3,300,986

(1) Beginning in fiscal 2011, the Town implemented the requirements of GASB Statement No. 54, which reclassifies general fund balance. Figures for 2011 through 2013 are unassigned fund balance, and include the Stabilization Fund. Fiscal 2014 unassigned fund balance is unaudited and not based on GAAP accounting. It may not be comparable to prior year figures.

STABILIZATION FUND

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting. The following is the balance in the account at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance (1)</u>
2014	\$4,292,283
2013	2,915,976
2012	1,874,393
2011	1,447,486
2010	1,421,401

(1) In fiscal 2011 and 2012, the Town accounts for the Stabilization Fund as committed general fund balance. Beginning in 2013, the Town accounts for the Stabilization Fund in unassigned general fund balance.

In addition to the general Stabilization Fund, the Town maintains Stabilization Funds for its Health Care Trust and Other Post-Employment Benefits (OPEB). As of June 30, 2014, the balance in the Health Care Trust Stabilization was \$5,943,504 and the balance in the OPEB Stabilization Fund was \$1,632,218.

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, section 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 of 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, or in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares of 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 under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

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

COLLECTIVE BARGAINING

Under Massachusetts Law, strikes by municipal employees are prohibited. 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.

The Town employs approximately 1,490 full-time, part-time, and seasonal employees. Town and school employees (other than managerial employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

<u>Union</u>	<u>Department</u>	<u>Number of Employees</u>	<u>Contract Expires</u>
Amherst DPW Association	DPW Laborers	36	6/30/2016
Firefighters	Fire	45	6/30/2016
Police Patrolmen	Police	34	6/30/2016
SEIU	Various	69	6/30/2016
Teachers	School	343	8/31/2016
Paraprofessionals	School	189	6/30/2016
Clerical	School	36	6/30/2016
AFSCME Maintenance	School	48	6/30/2016
Administrators	School	10	6/30/2016
Amherst DPW Association	DPW Supervisors	20	6/30/2016
Amherst Police Supervisors	Police Supervisors	<u>11</u>	New Contract
Total		<u>841</u>	

PHYSICAL AND ECONOMIC CHARACTERISTICS

The Town of Amherst, located in Hampshire County in western Massachusetts approximately 100 miles west of Boston, is bordered on the south by the Towns of South Hadley and Granby, on the west by the Town of Hadley, on the north by the Towns of Sunderland and Leverett, and on the east by the Towns of Shutesbury, Pelham, and Belchertown. With a population of approximately 37,819, the Town occupies a land area of 27.8 square miles.

Amherst is well-known as the home of the flagship campus of the University of Massachusetts, as well as of Amherst College and Hampshire College. The presence of the University and the colleges profoundly affects residential and commercial patterns for Amherst and surrounding communities.

Principal Employers

The following are the principal employers located in the Town, excluding the Town itself:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
University of Massachusetts	Public University	6,493
Amherst College	Private College	916
Hampshire College	Private College	510
Care for Extended Care at Amherst	Health	205
Big Y Supermarket	Supermarket	163
Atkins Country Farm Market	Grocery	147
Stavros, Center for Independent Living	Health Advocacy	137
Valley Medical	Health Care	95
Applewood	Senior Living	90
The Arbors	Assisted Living	75
Lord Jeffrey Inn	Hotel/Restaurant	72
Judie's	Restaurant	57
Amherst Post Office	Federal Government	65
U.S. Department of Agriculture	Federal Government	64
Bertucci's	Restaurant	55
University Store	Retail	40

Source: Town, as of December 2014

University of Massachusetts

The campus has established as its major goals improving the quality of the student experience and deepening its collaborations with state government, business and industry in Massachusetts. Total enrollment for fall 2014 for the Amherst campus was 28,635, reflecting the twelfth consecutive year of increases in undergraduate enrollment. The campus continues to meet all of its enrollment targets, and experienced a 3.7% increase in applications for the freshman class entering in fall 2014. Total sponsored research activity reached \$191 million in fiscal 2014.

Sixty-nine tenure track faculty were hired in fiscal 2015 bringing the total of new faculty hired in fiscal 2010 through 2015 to almost 250. In the past decade, the full-time faculty has grown from 1,100 to 1,262 with continued faculty growth planned through 2020.

With the support of legislative leaders and the governor, the fiscal 2015 state budget included year two of the "50-50" plan to increase the state appropriation to match the amount of student tuition and fee revenue. This plan added \$20 Million to the University's fiscal 2015 state appropriation and allowed the University to freeze in-state tuition and fees for a second consecutive year. The state appropriation increase partially offsets the additional costs of maintaining and operating buildings and facilities and allows for selective strategic initiatives throughout campus.

Even with recent increased state support of capital, the campus is funding almost two-thirds of the \$1 billion capital plan through debt and campus-based support. The increasing capital and operating costs will require strategic budgetary planning and investment decisions to ensure the continued growth and success of the academic enterprise.

Building Permits (1)

<u>Fiscal Year</u>	<u>Number</u>	<u>Estimated Value</u>
2015 (2)	506	\$40,830,180
2014	806	40,250,129
2013	914	46,596,601
2012	956	21,872,744
2011	794	16,565,494

(1) Source: Amherst Building Inspector.

(2) Through November 20, 2014.

Employment and Payrolls

	<u>Calendar Year Average</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Construction & Natural Resources	244	219	194	186	182
Manufacturing	47	42	117	62	39
Trade, Transportation & Utilities	958	984	1,007	1,025	982
Financial Activities	422	431	431	425	422
Professional & Business Services	419	389	389	363	380
Education & Health Services	10,517	10,000	9,749	9,573	9,438
Leisure & Hospitality	2,113	2,008	1,762	1,588	1,602
Public Administration	359	359	362	368	386
Information & Other Services	<u>588</u>	<u>1,135</u>	<u>1,164</u>	<u>1,202</u>	<u>1,148</u>
Total Employment	15,701	15,595	15,207	14,820	14,606
Number of Establishments	950	952	1,009	1,042	1,057
Total Annual Wage (000)	\$739,924	\$703,879	\$670,959	\$649,952	\$665,960
Average Weekly Wage	\$906	\$868	\$848	\$843	\$877

Source: Massachusetts Executive Office of Labor and Workforce Development. Employment numbers may not add because of the inclusion of confidential data.

OTHER DATA

Unemployment (1)

<u>Year</u>	<u>Amherst</u>	<u>Massachusetts</u>	<u>United States</u>
2014 (November)	4.1%	5.2%	5.5%
2013	5.3	7.1	7.4
2012	4.6	6.8	8.1
2011	4.8	6.8	8.9
2010	5.6	8.5	9.6

(1) Massachusetts Executive Office of Labor & Workforce Development. Full year annual averages except for 2014, which is for the month indicated.

Population (1)

<u>Year</u>	<u>Amherst</u>		<u>Hampshire 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	38,919	2.9%	159,596	1.0%	6,692,824	2.2%
2010	37,819	8.4	158,080	3.8	6,547,629	3.1
2000	34,874	(1.0)	152,251	3.9	6,349,097	5.5
1990	35,228	6.0	146,568	5.6	6,016,425	4.9
1980	33,229	2.62	138,813	12.0	5,737,037	0.8

(1) Source: U.S. Department of Commerce.

Population Density (1)

<u>Year</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density (2)</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2013 Estimate	38,919	1,405.9	159,596	301.7	6,692,824	853.9
2010	37,819	1,366.2	158,080	298.8	6,547,629	835.4
2000	34,874	1,259.8	152,251	287.8	6,349,097	810.0
1990	35,228	1,272.6	146,568	277.1	6,016,425	767.6
1980	33,229	1,200.4	138,813	262.4	5,737,037	732.0

(1) Source: U.S. Department of Commerce.

(2) Based on 27.7 square miles.

Population Composition 2013 5-year estimates (1)

<u>Age</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	814	2.1%	6,017	3.8%	366,296	5.5%
5 Years to 19 Years	11,878	30.7	32,659	20.5	1,250,186	18.9
20 Years to 64 Years	23,417	60.6	99,503	62.5	4,054,796	61.4
65 Years & Over	2,542	6.6	21,088	13.2	933,780	14.1
Total	38,651	100.0%	159,267	100.0%	6,605,058	100.0%
Median Age	21.3		35.9		39.1	
Median Age (2000)	21.8		34.4		36.5	

(1) Source: U.S. Department of Commerce.

Income Levels (1)

<u>Year</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Per Capita Income</u>	<u>% Change from Previous Census</u>	<u>Per Capita Income</u>	<u>% Change from Previous Census</u>	<u>Per Capita Income</u>	<u>% Change from Previous Census</u>
2013 5-yr est.	\$19,796	13.6%	\$29,460	35.9%	\$35,763	37.8%
1999	17,427	56.4	21,685	50.4	25,952	50.7
1989	11,144	114.8	14,414	124.8	17,224	131.0
1979	5,188		6,411		7,457	
Median Family Income (2013)	\$96,733		\$81,385		\$84,900	
Median Household Income (2013)	\$53,191		\$61,227		\$66,866	
% Below Poverty Level (2013)		33.1%		13.0%		11.4%

(1) Source: U.S. Department of Commerce.

Family Income Distribution 2013 5-yr estimates (1)

<u>Income for Families</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	129	3.1%	794	2.3%	58,546	3.6%
\$10,000 - \$24,999	540	12.8	2,663	7.7	133,530	8.3
\$25,000 - \$49,999	522	12.4	5,689	16.4	262,275	16.3
\$50,000 - \$74,999	568	13.4	6,722	19.4	254,762	15.9
\$75,000 - \$99,999	400	9.5	5,776	16.7	230,134	14.3
\$100,000 - \$149,999	962	22.8	7,913	22.8	329,489	20.5
\$150,000 or more	1,104	26.1	5,104	14.7	338,346	21.1
Total	<u>4,225</u>	<u>100.0%</u>	<u>34,661</u>	<u>100.0%</u>	<u>1,607,082</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Household Income 2013 5-yr estimates (1)

<u>Income for Households</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	898	10.5%	3,177	5.4%	156,920	6.2%
\$10,000 - \$24,999	1,588	18.5	8,854	15.1	351,310	13.9
\$25,000 - \$49,999	1,624	18.9	12,413	21.1	471,424	18.6
\$50,000 - \$74,999	1,250	14.6	10,628	18.1	407,803	16.1
\$75,000 - \$99,999	798	9.3	8,066	13.7	325,171	12.9
\$100,000 - \$149,999	1,196	13.9	9,707	16.5	420,563	16.6
\$150,000 or more	1,232	14.4	5,983	10.2	396,956	15.7
Total	<u>8,583</u>	<u>100.0%</u>	<u>58,828</u>	<u>100.0%</u>	<u>2,530,147</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Value Distribution Of Specified Owner-Occupied Housing Units 2013 5-year estimates (1)

<u>Units</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	115	2.2%	1,867	4.7%	63,391	4.0%
\$100,000 - \$199,999	311	8.2	7,914	20.1	216,024	13.6
\$200,000 - \$299,999	1,075	24.7	15,380	39.0	400,460	25.3
\$300,000 - \$499,999	1,867	50.5	11,394	28.9	581,528	36.7
\$500,000 - \$999,999	558	13.4	2,548	6.5	269,517	17.0
\$1,000,000 or more	71	1.2	283	0.7	54,339	3.4
Total	<u>3,997</u>	<u>100.0%</u>	<u>39,386</u>	<u>100.0%</u>	<u>1,585,259</u>	<u>100.0%</u>
Median Value	\$340,100		\$262,600		\$335,500	

(1) Source: U.S. Department of Commerce.

Age Distribution Housing Units 2013 5-year estimates (1)

<u>Year Built</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
2000 or later	622	6.6%	4,863	7.8%	214,896	7.7%
1980 to 1999	2,371	25.3	13,807	22.0	508,321	18.1
1940 to 1979	4,362	46.5	26,199	41.8	1,112,708	39.6
1939 or Earlier	<u>2,023</u>	<u>21.6</u>	<u>17,787</u>	<u>28.4</u>	<u>972,624</u>	<u>34.6</u>
Total	<u>9,378</u>	<u>100.0%</u>	<u>62,656</u>	<u>100.0%</u>	<u>2,808,549</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Housing Unit Inventory 2013 5-yr estimates (1)

<u>Units in Structure</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	3,971	42.3%	38,408	61.3%	1,468,336	52.3%
1, Attached	687	7.3	2,988	4.8	143,933	5.1
2 to 4	1,264	13.5	10,020	16.0	598,191	21.3
5 to 9	1,149	12.3	4,108	6.6	167,093	5.9
10 to 19	1,190	12.7	2,810	4.5	118,438	4.2
20 or More	1,117	11.9	3,510	5.6	281,403	10.3
Mobile Home, Trailer, or Other	0	0.0	812	1.3	24,155	0.9
Total	<u>9,378</u>	<u>100.0%</u>	<u>62,656</u>	<u>100.0%</u>	<u>2,808,549</u>	<u>100.0%</u>

(1) Source: U.S. Department of Commerce.

Educational Attainment 2013 (1)

<u>Years of School Completed</u>	<u>Amherst</u>		<u>Hampshire County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9 th Grade	326	2.8%	2,130	2.2%	218,530	4.8%
9 th to 12 th Grade	186	1.6	4,433	4.6	260,180	5.8
High School Graduate	1,388	11.7	24,949	25.6	1,163,738	25.8
Some College, No Degree	1,534	13.0	16,584	17.0	743,847	16.5
Associate's Degree	484	4.1	8,152	8.4	348,097	7.7
Bachelor's Degree	2,863	24.2	19,878	20.4	1,006,270	22.3
Graduate or Professional Degree	<u>5,040</u>	<u>42.6</u>	<u>21,289</u>	<u>21.9</u>	<u>770,052</u>	<u>17.1</u>
Total	<u>11,821</u>	<u>100.0%</u>	<u>97,415</u>	<u>100.0%</u>	<u>4,510,714</u>	<u>100.0%</u>
High School Graduate or Higher	11,309	95.7%	90,582	93.3%	4,032,004	89.4%
Bachelor's Degree or Higher	7,903	66.9%	41,167	42.3%	1,776,322	39.4%

(1) Source: U.S. Department of Commerce

Public School Enrollments

	<u>Actual</u>					<u>Projected</u>
	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>
Amherst Public Schools (PreK – 6)	<u>1,186</u>	<u>1,161</u>	<u>1,139</u>	<u>1,151</u>	<u>1,139</u>	<u>1,113</u>

Source: School Department as of October 1, each year.

Amherst-Pelham Regional Schools (all students)						
	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>	<u>13/14</u>	<u>14/15</u>	<u>15/16</u>
Total	<u>1,592</u>	<u>1,592</u>	<u>1,555</u>	<u>1,498</u>	<u>1,457</u>	<u>1,446</u>

Source: School Department as of October 1, each year.

Public School Facilities

<u>Name</u>	<u>Date Built</u>	<u>Added to (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment (1)</u>
Crocker Farm Elementary School	1966	2002	395	430
Fort River Elementary School	1973		460	366
Wildwood Elementary School	1970		<u>460</u>	<u>415</u>
Total			<u>1,315</u>	<u>1,211</u>

(1) As of 10/1/14.

LITIGATION

There is no pending litigation that is considered likely to result, either individually or in the aggregate, in final judgments which would materially affect the Town's financial position.

TOWN OF AMHERST
Massachusetts

By: /s/ Claire E. McGinnis
Treasurer

Dated: January 22, 2015

APPENDIX A

The General Fund Balance Sheet for the fiscal year ending June 30, 2014 and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the fiscal year ending June 30, 2014 are extracted from the unaudited financial statements of the Town. The General Fund Balance Sheets for the fiscal years ending June 30, 2010 through June 30, 2013 and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years ending June 30, 2010 through 2013 are extracted from the audit reports of Melanson Heath & Company, PC, Certified Public Accountants. Audited financial statements for fiscal year 2013 are presented in Appendix B.

TOWN OF AMHERST, MASSACHUSETTS

Balance Sheets
General Fund (1)
June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,044,644	\$ 8,299,375	\$ 7,768,391	\$ 5,394,613	\$4,047,876
Investments	6,674,244	2,976,778	2,786,394	3,880,664	3,206,374
Receivables:					
Property taxes	652,311	774,728	719,334	723,067	761,219
Tax liens and foreclosures	610,302	787,161	761,230	670,976	520,861
Excises	183,173	255,316	201,982	274,959	263,132
Departmental	266,977	272,621	209,530	289,115	208,818
Due from other funds	0	0	0	0	0
Other	0	0	0	0	0
Total Assets	<u>\$15,431,651</u>	<u>\$13,365,979</u>	<u>\$12,446,861</u>	<u>\$11,233,394</u>	<u>\$9,008,280</u>
<u>LIABILITIES</u>					
Warrants payable	\$ 1,468,800	\$ 577,336	\$ 1,351,448	\$ 521,058	\$ 794,555
Deferred revenue	0	1,868,322	1,758,421	1,729,791	1,535,184
Accrued payroll and withholdings		1,784,331	1,388,067	2,036,725	1,872,863
Accrued interest payable		0	0	0	0
Other		310,090	443,630	351,933	585,949
Total Liabilities		<u>\$ 4,540,079</u>	<u>\$ 4,941,566</u>	<u>\$ 4,639,507</u>	<u>\$4,788,551</u>
DEFERRED INFLOWS	\$ 1,524,669	0	0	0	0
FUND BALANCES:					
Committed (2)		0	1,916,993	1,463,765	-
Assigned (2)	504,560	476,083	567,851	536,856	-
Unassigned (2)	9,636,908	8,349,817	5,020,451	4,593,266	-
Reserved for:					
Encumbrances	0	0	0	0-	523,246
Expenditures	0	0	0	0-	0
Unreserved:					
Undesignated	0	0	0	0-	3,696,483
Total Fund Balance	<u>\$10,141,468</u>	<u>\$ 8,825,900</u>	<u>\$ 7,505,295</u>	<u>\$ 6,593,887</u>	<u>\$4,219,729</u>
Total Liabilities and Fund Balance	<u>\$15,431,651</u>	<u>\$13,365,979</u>	<u>\$12,446,861</u>	<u>\$11,233,394</u>	<u>\$9,008,280</u>

(1) Extracted from the Town's financial statements as audited by Melanson Heath & Company, PC, except for fiscal 2014, which is from the unaudited financial statements of the Town. While these statements are prepared on a GAAP basis, they are unaudited and subject to change.

(2) New fund balance categories as promulgated as GASB Statement #54.

TOWN OF AMHERST, MASSACHUSETTS
Statement of Revenues, Expenditures, and
Changes in Fund Balance (1)
General Fund
June 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:					
Property taxes	\$43,238,675	\$41,599,535	\$40,004,068	\$38,225,794	\$35,600,686
Excises	1,540,811	1,488,013	1,559,387	1,423,261	1,355,179
Interest, penalties, and other taxes	1,196,208	1,104,847	1,099,904	1,082,891	1,064,331
Charges for services	1,960,384	1,923,959	1,953,279	1,946,581	1,922,519
Licenses and permits	1,103,791	1,109,086	884,534	739,012	808,842
Intergovernmental	19,544,463	18,940,065	18,470,797	17,990,015	18,530,944
Fine and forfeits	222,952	259,389	252,839	240,987	178,087
Interest earnings	117,013	115,517	132,405	189,270	159,206
Miscellaneous	128,396	268,181	88,711	174,538	141,773
Total Revenues	<u>\$69,052,693</u>	<u>\$66,808,592</u>	<u>\$64,445,924</u>	<u>\$62,012,349</u>	<u>\$59,761,567</u>
Expenditures:					
General government	\$11,017,431	\$10,126,417	\$10,147,537	\$ 9,767,294	\$ 9,469,244
Public safety	9,140,800	8,876,435	8,549,241	8,265,740	7,953,595
Education	39,120,640	37,895,443	36,305,771	35,038,853	34,816,957
Public works	2,202,601	1,928,727	1,950,990	2,012,854	1,662,021
Human services	844,915	784,226	757,863	739,860	695,314
Culture and recreation	2,684,456	2,637,129	2,503,737	2,382,709	2,418,862
Debt service	1,626,159	1,417,872	1,421,093	833,350	743,210
Intergovernmental	1,997,431	1,988,812	2,564,567	2,754,951	2,607,622
Total Expenditures	<u>\$68,634,433</u>	<u>\$65,655,061</u>	<u>\$64,200,799</u>	<u>\$61,785,611</u>	<u>\$60,366,825</u>
Excess (deficiency) of revenues over expenditures	418,260	1,153,531	245,125	226,738	(605,258)
Other Financing Sources (Uses):					
Total other financing sources (uses), net	<u>897,308</u>	<u>167,074</u>	<u>1,408,059</u>	<u>769,556</u>	<u>523,771</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	1,315,568	1,320,605	911,408	996,294	(81,487)
Fund Balance, Beginning of Year (2)	8,825,900	7,505,295	6,593,887	5,597,593	4,301,216
Fund Balance, End of Year	<u>\$10,141,468</u>	<u>\$ 8,825,900</u>	<u>\$ 7,505,295</u>	<u>\$ 6,593,887</u>	<u>\$ 4,219,729</u>

(1) Extracted from the Town's financial statements as audited by Melanson Heath & Company, PC., except for fiscal 2014, which is from the unaudited financial statements of the Town. While these statements are prepared on a GAAP basis, they are unaudited and subject to change.

(2) Beginning fiscal 2011 fund balance restated because of the implementation of GASB Statement #54.

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APPENDIX B

There follows in this Appendix audited financial statements of the Town of Amherst, Massachusetts, as of June 30, 2013 together with the auditor's report of Melanson Heath & Co., CPAs.

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TOWN OF AMHERST, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2013

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Amherst, 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 Amherst, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's 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 Amherst, Massachusetts, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Town's internal control over financial reporting and compliance.

Melanson Heath + Company P. C.

Greenfield, Massachusetts
January 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amherst, we offer readers this narrative overview and analysis of the financial activities of the Town of Amherst for the fiscal year ended June 30, 2013.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all 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 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, culture and recreation, employee benefits, interest, intergovernmental, and miscellaneous. The business-type activities include sewer, water, landfill, and transportation 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for sewer, water, landfill and transportation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health and workers compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each operation, each of which is considered to be a major fund.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$43,369,255 (i.e., net position), a change of \$(1,497,624) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$17,677,293, a change of \$2,418,951 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,349,817, a change of \$1,412,373 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$17,343,660, a change of \$4,079,695 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012 (restated)</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012 (restated)</u>
Current and other assets	\$ 30,306	\$ 27,426	\$ 13,894	\$ 10,899	\$ 44,200	\$ 38,325
Capital assets	<u>25,710</u>	<u>25,192</u>	<u>22,111</u>	<u>21,380</u>	<u>47,821</u>	<u>46,572</u>
Total assets	56,016	52,618	36,006	32,279	92,021	84,897
Long-term liabilities outstanding	30,864	27,634	10,565	7,458	41,429	35,092
Other liabilities	<u>6,391</u>	<u>4,780</u>	<u>833</u>	<u>158</u>	<u>7,224</u>	<u>4,938</u>
Total liabilities	37,255	32,414	11,398	7,616	48,653	40,030
Net position:						
Invested in capital assets, net	20,752	19,203	18,116	17,920	38,868	37,123
Restricted	4,844	5,072	5,238	4,940	10,082	10,012
Unrestricted	<u>(6,835)</u>	<u>(4,071)</u>	<u>1,254</u>	<u>1,803</u>	<u>(5,581)</u>	<u>(2,268)</u>
Total net position	\$ <u>18,761</u>	\$ <u>20,204</u>	\$ <u>24,608</u>	\$ <u>24,663</u>	\$ <u>43,369</u>	\$ <u>44,867</u>

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u> <u>(restated)</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u> <u>(restated)</u>
Revenues:						
Program revenues:						
Charges for services	\$ 15,455	\$ 14,417	\$ 9,312	\$ 9,134	\$ 24,767	\$ 23,551
Operating grants and contributions	15,184	15,991	-	-	15,184	15,991
Capital grants and contributions	1,005	769	-	-	1,005	769
General revenues:						
Property taxes	41,615	40,040	-	-	41,615	40,040
Excises	1,528	1,515	-	-	1,528	1,515
Penalties and interest on taxes	1,527	1,511	-	-	1,527	1,511
Grants and contributions not restricted to specific programs	7,960	7,484	-	-	7,960	7,484
Investment income	146	161	20	13	166	174
Miscellaneous	486	278	-	-	486	278
Transfers, net	(981)	-	(38)	-	(1,019)	-
Total revenues	<u>83,925</u>	<u>82,166</u>	<u>9,294</u>	<u>9,147</u>	<u>93,219</u>	<u>91,313</u>
Expenses:						
General government	9,745	10,494	-	-	9,745	10,494
Public safety	9,741	9,556	-	-	9,741	9,556
Education	38,076	36,492	-	-	38,076	36,492
Public works	3,138	2,760	-	-	3,138	2,760
Health and human services	1,030	1,106	-	-	1,030	1,106
Culture and recreation	4,070	3,375	-	-	4,070	3,375
Employee benefits	17,365	16,725	-	-	17,365	16,725
Interest on long-term debt	214	296	-	-	214	296
Intergovernmental	1,989	2,565	-	-	1,989	2,565
Sewer operations	-	-	3,837	3,540	3,837	3,540
Water operations	-	-	3,911	3,569	3,911	3,569
Landfill operations	-	-	477	567	477	567
Transportation operations	-	-	1,124	1,209	1,124	1,209
Total expenses	<u>85,368</u>	<u>83,369</u>	<u>9,348</u>	<u>8,885</u>	<u>94,717</u>	<u>92,254</u>
Change in net position	(1,443)	(1,203)	(55)	262	(1,498)	(941)
Net assets - beginning of year	<u>20,204</u>	<u>21,407</u>	<u>24,663</u>	<u>24,401</u>	<u>44,867</u>	<u>45,808</u>
Net assets - end of year	<u>\$ 18,761</u>	<u>\$ 20,204</u>	<u>\$ 24,608</u>	<u>\$ 24,663</u>	<u>\$ 43,369</u>	<u>\$ 44,867</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$43,369,255, a change of \$(1,497,624) from the prior year.

A large portion of net position, \$38,868,386, reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$10,081,898 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, is a deficit of \$(5,581,029).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(1,442,703). Key elements of this change are as follows:

	<u>Government-Wide Governmental Activities</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 213,140
State and local revenues over budget	1,031,848
Budgetary appropriations unspent by departments	321,851
Use of free cash (fund balance) as a funding source	(1,340,724)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,230
Other sources used in the current year	(83,798)
Other uses raised in the current year	46,195
Change in Stabilization fund	1,041,863
Major fund - Ambulance receipts reserved transfers out in excess of revenues	(117,396)
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in, in excess of expenditures and transfers out	1,215,742
Self insurance fund net increase resulting from revenues in excess of claims	321,282
Depreciation expense in excess of principal debt service	(1,069,198)
Net OPEB obligation liability increase	(4,213,915)
Capital assets purchased from taxation and grants	2,791,213
Reverse bond proceeds from revenue	(1,765,000)
Other timing differences	<u>73,964</u>
Total	<u>\$ (1,442,703)</u>

Business-Type Activities. Business-type activities for the year resulted in a change in net position of \$(54,921). Key elements of this change are as follows:

Sewer operations	\$ 14,543
Water operations	157,473
Landfill operations	(54,321)
Transportation operations	<u>(172,616)</u>
Total	<u>\$ (54,921)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$17,677,293, a change of \$2,418,951 in comparison with the prior year. Key elements of this change are as follows:

	<u>Fund Balance</u> <u>Governmental Funds</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 213,140
State and local revenues over budget	1,031,848
Budgetary appropriations unspent by departments	321,851
Use of free cash (fund balance) as a funding source	(1,340,724)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,230
Other sources used in the current year	(83,798)
Other uses raised in the current year	46,195
 Change in Stabilization fund	 1,041,863
 Major fund - Ambulance receipts reserved transfers out in excess of revenues	 (117,396)
Special revenue, trust fund and capital project fund revenues, bond proceeds and transfers in, in excess of expenditures and transfers out	 <u>1,215,742</u>
 Total	 <u>\$ 2,418,951</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,349,817, while total fund balance was \$8,825,900. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance ¹	\$ 8,349,817	\$ 6,937,444	\$ 1,412,373	12.72%
Total fund balance	8,825,900	7,505,295	1,320,605	13.44%

¹ Includes Stabilization Fund.

The total fund balance of the general fund changed by \$1,320,605 during the current fiscal year. Key factors in this change are as follows:

	<u>Fund Balance General Fund</u>
General Fund Operating Results:	
Excess of tax collections compared to budget	\$ 213,140
State and local revenues over budget	1,031,848
Budgetary appropriations unspent by departments	321,851
Use of free cash (fund balance) as a funding source	(1,340,724)
Difference between current year encumbrances to be spent in the subsequent year and prior year encumbrances spent in the current year	90,230
Other sources used in the current year	(83,798)
Other uses raised in the current year	46,195
Change in Stabilization fund	<u>1,041,863</u>
Total	<u>\$ 1,320,605</u>

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

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>
Stabilization fund	\$ 2,958,856	\$ 1,916,993	\$ 1,041,863

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,253,882, a change of \$(549,393) over the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget result in an overall increase in appropriations of \$140,155. Major reasons for these amendments include:

- \$57,055 transfer to OPEB trust fund.
- \$21,215 for payment to the Town of Pelham and Amherst-Pelham RSD for their portion of Medicare Part D reimbursements.
- \$20,071 for repairs to the Town Room.
- \$41,814 to fund an overlay deficit.

Of the increase, \$20,071 was funded from the insurance recovery fund, \$41,814 was funded from overlay surplus and the remaining increase was funded from free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$47,821,188 (net of accumulated depreciation), an increase of \$1,248,874 from the prior year. This investment in capital assets includes land, land improvements, building improvements, machinery, equipment and furnishings, and infrastructure.

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

- Infrastructure improvements to numerous streets and sidewalks of approximately \$1.4 million.
- Other governmental activity projects of approximately \$469,000, which includes central station roof repairs, library repairs and upgrades, and Town Hall improvements.
- Numerous other non-enterprise vehicle and equipment purchases of approximately \$820,000. This included a Horton ambulance for public safety of approximately \$205,000, two other public safety vehicles and communication equipment totaling approximately \$170,000, public works truck and equipment of \$172,000, and various school equipment purchases of approximately \$221,000.
- Sewer collection system improvements of approximately \$460,000 and a vehicle purchase of approximately \$37,000.
- Various water plant improvements of approximately \$960,000 and a backhoe and two vehicle purchases of \$148,000.
- Parking garage vehicle and cameras for transportation operations of approximately \$69,000.
- Depreciation expense of approximately \$(2,273,000) in governmental activities and \$(836,000) in business-type activities.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$17,343,660 all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

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

Mr. Sanford M. Pooler
Finance Director
Town of Amherst
4 Boltwood Avenue
Amherst, MA 01002

TOWN OF AMHERST, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and short-term investments	\$ 21,890,541	\$ 9,809,149	\$ 31,699,690
Investments	4,078,132	2,617,388	6,695,520
Receivables, net of allowance for uncollectibles:			
Property taxes	686,211	-	686,211
Excises	112,772	-	112,772
User fees	-	1,286,891	1,286,891
Departmental and other	1,533,332	180,809	1,714,141
Intergovernmental	865,536	-	865,536
Loans receivable	26,304	-	26,304
Other assets	19,909	-	19,909
Noncurrent			
Property taxes, net of allowance for uncollectibles	220,521	-	220,521
Land and construction in progress	3,927,323	3,947,675	7,874,998
Capital assets, net of accumulated depreciation	21,782,486	18,163,704	39,946,190
Working deposit	873,584	-	873,584
TOTAL ASSETS	56,016,651	36,005,616	92,022,267
LIABILITIES			
Current			
Warrants payable	740,394	65,512	805,906
Accounts payable	219,591	135,019	354,610
Accrued payroll and withholdings	1,859,435	-	1,859,435
Accrued claims payable	1,371,365	-	1,371,365
Other current liabilities	690,302	-	690,302
Current portion of long-term liabilities:			
Bonds payable	1,384,905	572,400	1,957,305
Other liabilities	125,102	60,000	185,102
Noncurrent			
Bonds payable, net of current portion	7,541,755	7,844,600	15,386,355
Other liabilities, net of current portion	23,322,506	2,720,126	26,042,632
TOTAL LIABILITIES	37,255,355	11,397,657	48,653,012
NET POSITION			
Invested in capital assets, net of related debt	20,751,955	18,116,431	38,868,386
Restricted for:			
State and federal grants	4,389,768	-	4,389,768
Permanent funds:			
Nonexpendable	332,999	-	332,999
Expendable	121,485	-	121,485
Other purposes	-	5,237,646	5,237,646
Unrestricted	(6,834,911)	1,253,882	(5,581,029)
TOTAL NET POSITION	\$ 18,761,296	\$ 24,607,959	\$ 43,369,255

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 9,745,403	\$ 3,080,488	\$ 3,098,809	\$ 226,500	\$ (3,339,606)	\$ -	\$ (3,339,606)
Public safety	9,741,288	2,751,333	308,679	-	(6,681,276)	-	(6,681,276)
Education	38,075,760	216,123	11,175,201	-	(26,684,436)	-	(26,684,436)
Public works	3,137,624	29,317	76,932	778,556	(2,252,819)	-	(2,252,819)
Health and human services	1,030,481	138,081	386,562	-	(505,838)	-	(505,838)
Culture and recreation	4,070,066	1,496,727	138,263	-	(2,435,076)	-	(2,435,076)
Employee benefits	17,365,173	7,742,980	-	-	(9,622,193)	-	(9,622,193)
Interest	213,872	-	-	-	(213,872)	-	(213,872)
Intergovernmental	1,988,812	-	-	-	(1,988,812)	-	(1,988,812)
Total Governmental Activities	85,368,479	15,455,049	15,184,446	1,005,056	(53,723,928)	-	(53,723,928)
Business-Type Activities:							
Sewer operations	3,836,695	3,857,678	-	-	-	20,983	20,983
Water operations	3,910,581	4,072,276	-	-	-	161,695	161,695
Landfill operations	477,489	428,141	-	-	-	(49,348)	(49,348)
Transportation operations	1,123,582	953,539	-	-	-	(170,043)	(170,043)
Total Business-Type Activities	9,348,347	9,311,634	-	-	-	(36,713)	(36,713)
Total	\$ 94,716,826	\$ 24,766,683	\$ 15,184,446	\$ 1,005,056	(53,723,928)	(36,713)	(53,760,641)
		General Revenues:					
		Property taxes			41,615,113	-	41,615,113
		Excises			1,528,069	-	1,528,069
		Penalties, interest and other taxes			1,527,142	-	1,527,142
		Grants and contributions not restricted to specific programs			7,959,981	-	7,959,981
		Investment income			145,786	19,930	165,716
		Miscellaneous			485,646	-	485,646
		Transfers, net			(980,512)	(38,138)	(1,018,650)
		Total general revenues and transfers			52,281,225	(18,208)	52,263,017
		Change in Net Position			(1,442,703)	(54,921)	(1,497,624)
		Net Position:					
		Beginning of year, as restated			20,203,999	24,662,880	44,866,879
		End of year			\$ 18,761,296	\$ 24,607,959	\$ 43,369,255

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 8,299,375	\$ 3,057,060	\$ 5,534,560	\$ 16,890,995
Investments	2,976,778	-	213,376	3,190,154
Receivables:				
Property taxes	774,728	-	9,783	784,511
Tax liens and foreclosures	787,161	-	-	787,161
Excises	255,316	-	-	255,316
Departmental and other	272,621	1,031,498	6,316	1,310,435
Intergovernmental	-	-	865,536	865,536
Loans receivable	-	-	26,304	26,304
Prepaid expenses	-	-	19,909	19,909
TOTAL ASSETS	<u>\$ 13,365,979</u>	<u>\$ 4,088,558</u>	<u>\$ 6,675,784</u>	<u>\$ 24,130,321</u>
LIABILITIES				
Warrants payable	\$ 577,336	\$ -	\$ 163,058	\$ 740,394
Accounts payable	-	-	219,591	219,591
Accrued payroll and withholdings	1,784,331	-	75,104	1,859,435
Other liabilities	310,090	-	380,212	690,302
TOTAL LIABILITIES	2,671,757	-	837,965	3,509,722
DEFERRED INFLOWS OF RESOURCES	1,868,322	1,031,499	43,485	2,943,306
FUND BALANCES				
Nonspendable	-	-	332,999	332,999
Restricted	-	3,057,059	3,034,259	6,091,318
Committed	-	-	2,502,576	2,502,576
Assigned	476,083	-	-	476,083
Unassigned	8,349,817	-	(75,500)	8,274,317
TOTAL FUND BALANCES	<u>8,825,900</u>	<u>3,057,059</u>	<u>5,794,334</u>	<u>17,677,293</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 13,365,979</u>	<u>\$ 4,088,558</u>	<u>\$ 6,675,784</u>	<u>\$ 24,130,321</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

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

JUNE 30, 2013

Total Governmental Fund Balances	\$ 17,677,293
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,709,809
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting (net of allowance for uncollectibles) and are not deferred until collection.	1,929,522
<ul style="list-style-type: none">• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	5,818,940
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital leases, compensated absences, and other post-employment benefits are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(32,374,268)</u>
Net Position of Governmental Activities	<u>\$ 18,761,296</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2013

	General	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 41,599,535	\$ -	\$ -	\$ 41,599,535
Excises	1,488,013	-	-	1,488,013
Penalties, interest and other taxes	1,104,847	-	420,842	1,525,689
Charges for services	1,923,959	2,428,632	1,414,646	5,767,237
Intergovernmental	18,940,065	-	5,027,799	23,967,864
Licenses and permits	1,109,086	-	-	1,109,086
Fines and forfeitures	259,389	-	-	259,389
Investment income	115,517	-	15,199	130,716
Contributions	-	-	181,617	181,617
Miscellaneous	268,181	-	66,049	334,230
Total Revenues	<u>66,808,592</u>	<u>2,428,632</u>	<u>7,126,152</u>	<u>76,363,376</u>
Expenditures:				
Current:				
General government	10,126,417	-	2,755,024	12,881,441
Public safety	8,876,435	-	902,248	9,778,683
Education	37,895,443	-	2,103,327	39,998,770
Public works	1,928,727	-	1,217,041	3,145,768
Health and human services	784,226	-	243,182	1,027,408
Culture and recreation	2,637,129	-	1,847,725	4,484,854
Debt service	1,417,872	-	5,305	1,423,177
Intergovernmental	1,988,812	-	-	1,988,812
Total Expenditures	<u>65,655,061</u>	<u>-</u>	<u>9,073,852</u>	<u>74,728,913</u>
Excess (deficiency) of revenues over expenditures	1,153,531	2,428,632	(1,947,700)	1,634,463
Other Financing Sources (Uses):				
Bond proceeds	-	-	1,765,000	1,765,000
Refunding proceeds	1,049,320	-	-	1,049,320
Payment to refunding agent	(1,049,320)	-	-	(1,049,320)
Transfers in	2,643,279	-	2,311,193	4,954,472
Transfers out	(2,476,205)	(2,546,028)	(912,751)	(5,934,984)
Total Other Financing Sources (Uses)	<u>167,074</u>	<u>(2,546,028)</u>	<u>3,163,442</u>	<u>784,488</u>
Change in fund balance	1,320,605	(117,396)	1,215,742	2,418,951
Fund Equity, at Beginning of Year, as restated	7,505,295	3,174,455	4,578,592	15,258,342
Fund Equity, at End of Year	<u>\$ 8,825,900</u>	<u>\$ 3,057,059</u>	<u>\$ 5,794,334</u>	<u>\$ 17,677,293</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,418,951																				
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="width: 20%; text-align: right;">2,791,213</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(2,273,503)</td> </tr> </table> • 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, net allowance for uncollectibles. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">39,824</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Proceeds of debt issuance</td> <td style="width: 20%; text-align: right;">(1,765,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">1,204,305</td> </tr> <tr> <td>Effect of refunding</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Issuance of capital leases</td> <td style="text-align: right;">(42,760)</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">122,930</td> </tr> </table> • Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">(4,264,945)</td> </tr> </table> • Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">321,282</td> </tr> </table> 		Capital outlay purchases	2,791,213	Depreciation	(2,273,503)		39,824	Proceeds of debt issuance	(1,765,000)	Repayments of debt	1,204,305	Effect of refunding	5,000	Issuance of capital leases	(42,760)	Repayments of capital leases	122,930		(4,264,945)		321,282
Capital outlay purchases	2,791,213																				
Depreciation	(2,273,503)																				
	39,824																				
Proceeds of debt issuance	(1,765,000)																				
Repayments of debt	1,204,305																				
Effect of refunding	5,000																				
Issuance of capital leases	(42,760)																				
Repayments of capital leases	122,930																				
	(4,264,945)																				
	321,282																				
Change in Net Position of Governmental Activities	\$ <u>(1,442,703)</u>																				

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 41,386,395	\$ 41,386,395	\$ 41,386,395	\$ -
Excises	1,423,750	1,423,750	1,488,013	64,263
Penalties, interest and other taxes	1,083,583	1,083,583	1,104,847	21,264
Charges for services	2,041,594	2,041,594	1,923,959	(117,635)
Intergovernmental	15,028,664	15,028,664	15,434,199	405,535
Licenses and permits	795,150	795,150	1,109,086	313,936
Fines and forfeitures	227,033	227,033	259,389	32,356
Investment income	75,000	75,000	76,094	1,094
Miscellaneous	165,493	165,493	268,181	102,688
Transfers in	2,414,861	2,434,932	2,643,279	208,347
Other sources	1,304,438	1,424,522	1,424,522	-
Total Revenues and Other Sources	65,945,961	66,086,116	67,117,964	1,031,848
Expenditures and Other Uses:				
General government	10,299,132	10,394,288	10,243,587	150,701
Public safety	8,877,651	8,877,651	8,851,357	26,294
Education	34,446,464	34,446,464	34,373,598	72,866
Public works	1,996,684	1,996,684	1,942,693	53,991
Health and human services	743,558	782,653	784,960	(2,307)
Culture and recreation	2,640,113	2,640,113	2,636,546	3,567
Debt service	1,464,305	1,428,395	1,417,872	10,523
Intergovernmental	1,995,028	1,995,028	1,988,812	6,216
Transfers out	3,478,645	3,478,645	3,478,645	-
Other uses	4,381	46,195	46,195	-
Total Expenditures and Other Uses	65,945,961	66,086,116	65,764,265	321,851
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,353,699	\$ 1,353,699

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
<u>ASSETS</u>						
Current:						
Cash and short-term investments	\$ 5,475,960	\$ 4,011,298	\$ 102,266	\$ 219,625	\$ 9,809,149	\$ 4,999,546
Investments	1,461,157	1,070,340	27,288	58,603	2,617,388	887,978
Accounts receivable	-	-	-	-	-	429,197
User fees receivable	604,793	667,649	14,449	-	1,286,891	-
Departmental, net of allowance for uncollectible	-	-	-	180,809	180,809	-
Total current assets	7,541,910	5,749,287	144,003	459,037	13,894,237	6,316,721
Noncurrent:						
Land and construction in progress	723,045	3,005,630	219,000	-	3,947,675	-
Capital assets, net of accumulated depreciation	7,039,687	6,848,661	200,690	4,074,666	18,163,704	-
Working deposit	-	-	-	-	-	873,584
Total noncurrent assets	7,762,732	9,854,291	419,690	4,074,666	22,111,379	873,584
TOTAL ASSETS	15,304,642	15,603,578	563,693	4,533,703	36,005,616	7,190,305
<u>LIABILITIES</u>						
Current:						
Warrants payable	-	-	11,706	53,806	65,512	-
Accounts payable	135,019	-	-	-	135,019	-
Accrued claims payable	-	-	-	-	-	1,371,365
Current portion of long-term liabilities:						
Bonds payable	322,400	200,000	-	50,000	572,400	-
Other liabilities	-	-	60,000	-	60,000	-
Total current liabilities	457,419	200,000	71,706	103,806	832,931	1,371,365
Noncurrent:						
Bonds payable, net of current portion	3,959,600	3,600,000	-	285,000	7,844,600	-
Other liabilities, net of current portion	784,751	461,917	1,394,736	78,722	2,720,126	-
Total noncurrent liabilities	4,744,351	4,061,917	1,394,736	363,722	10,564,726	-
TOTAL LIABILITIES	5,201,770	4,261,917	1,466,442	467,528	11,397,657	1,371,365
<u>NET POSITION</u>						
Invested in capital assets, net of related debt	7,382,997	9,116,578	419,690	1,197,166	18,116,431	-
Restricted for other purposes	1,390,316	1,203,115	3,955	2,640,260	5,237,646	-
Unrestricted	1,329,559	1,021,968	(1,326,394)	228,749	1,253,882	5,818,940
TOTAL NET POSITION	\$ 10,102,872	\$ 11,341,661	\$ (902,749)	\$ 4,066,175	\$ 24,607,959	\$ 5,818,940

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
Operating Revenues:						
Charges for services	\$ 3,857,678	\$ 4,072,276	\$ 428,141	\$ 953,539	\$ 9,311,634	\$ 4,305,720
Employee and employer contributions	-	-	-	-	-	9,152,637
Total Operating Revenues	<u>3,857,678</u>	<u>4,072,276</u>	<u>428,141</u>	<u>953,539</u>	<u>9,311,634</u>	<u>13,458,357</u>
Operating Expenses:						
Salaries and wages	974,658	1,010,982	183,128	168,446	2,337,214	143,087
Operating expenses	2,482,105	2,324,882	271,085	738,879	5,816,951	1,384,638
Depreciation	333,587	318,017	23,276	161,428	836,308	-
Capital outlay	156,848	157,850	-	43,854	358,552	-
Health insurance claims	-	-	-	-	-	11,558,590
Other claims	-	-	-	-	-	65,830
Total Operating Expenses	<u>3,947,198</u>	<u>3,811,731</u>	<u>477,489</u>	<u>1,112,607</u>	<u>9,349,025</u>	<u>13,152,145</u>
Operating Income (Loss)	(89,520)	260,545	(49,348)	(159,068)	(37,391)	306,212
Nonoperating Revenues (Expenses):						
Investment income	9,932	9,148	335	515	19,930	15,070
Other nonoperating income (expense)	120,569	-	-	-	120,569	-
Interest expense	(10,066)	(98,850)	-	(10,975)	(119,891)	-
Total Nonoperating Revenues (Expenses), Net	<u>120,435</u>	<u>(89,702)</u>	<u>335</u>	<u>(10,460)</u>	<u>20,608</u>	<u>15,070</u>
Income (Loss) Before Transfers	30,915	170,843	(49,013)	(169,528)	(16,783)	321,282
Transfers, net	<u>(16,372)</u>	<u>(13,370)</u>	<u>(5,308)</u>	<u>(3,088)</u>	<u>(38,138)</u>	<u>-</u>
Change in Net Position	14,543	157,473	(54,321)	(172,616)	(54,921)	321,282
Net Position at Beginning of Year	<u>10,088,329</u>	<u>11,184,188</u>	<u>(848,428)</u>	<u>4,238,791</u>	<u>24,662,880</u>	<u>5,497,658</u>
Net Position at End of Year	<u>\$ 10,102,872</u>	<u>\$ 11,341,661</u>	<u>\$ (902,749)</u>	<u>\$ 4,066,175</u>	<u>\$ 24,607,959</u>	<u>\$ 5,818,940</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds					Governmental Activities
	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total Enterprise	Internal Service Funds
<u>Cash Flows From Operating Activities:</u>						
Receipts from customers and users	\$ 3,872,835	\$ 4,068,263	\$ 442,203	\$ 964,401	\$ 9,347,702	\$ -
Payments to vendors and employees	(3,349,623)	(3,486,437)	(473,961)	(944,721)	(8,254,742)	-
Receipts from employees, employer, and others	-	-	-	-	-	14,124,095
Payments of employee benefits and expenses	-	-	-	-	-	(12,868,794)
Net Cash Provided By / (Used For) Operating Activities	523,212	581,826	(31,758)	19,680	1,092,960	1,255,301
<u>Cash Flows From Noncapital Financing Activities:</u>						
Transfers (out)	(16,372)	(13,370)	(5,308)	(3,088)	(38,138)	-
Net Cash (Used For) Noncapital Financing Activities	(16,372)	(13,370)	(5,308)	(3,088)	(38,138)	-
<u>Cash Flows From Capital and Related Financing Activities:</u>						
Acquisition and construction of capital assets, net of disposals	(443,537)	(1,054,995)	-	(68,939)	(1,567,471)	-
Principal payments on bonds and notes	(308,000)	(200,000)	-	(55,000)	(563,000)	-
Issuance of bonds and notes	4,087,000	-	-	-	4,087,000	-
Premium on sale of bond	120,569	-	-	-	120,569	-
Interest payments	(10,066)	(98,850)	-	(10,975)	(119,891)	-
Net Cash Provided By / (Used For) Capital and Related Financing Activities	3,445,966	(1,353,845)	-	(134,914)	1,957,207	-
<u>Cash Flows From Investing Activities:</u>						
(Purchase) or sale of investments	(707,859)	418,385	15,051	42,235	(232,188)	(887,978)
Investment income	9,932	9,148	335	515	19,930	15,070
Net Cash Provided By / (Used For) Investing Activities	(697,927)	427,533	15,386	42,750	(212,258)	(872,908)
Net Change in Cash and Short-Term Investments	3,254,879	(357,856)	(21,680)	(75,572)	2,799,771	382,393
Cash and Short Term Investments, Beginning of Year	2,221,081	4,369,154	123,946	295,197	7,009,378	4,617,153
Cash and Short Term Investments, End of Year	<u>\$ 5,475,960</u>	<u>\$ 4,011,298</u>	<u>\$ 102,266</u>	<u>\$ 219,625</u>	<u>\$ 9,809,149</u>	<u>\$ 4,999,546</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>						
Operating income (loss)	\$ (89,520)	\$ 260,545	\$ (49,348)	\$ (159,068)	\$ (37,391)	\$ 306,212
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	333,587	318,017	23,276	161,428	836,308	-
Changes in assets and liabilities:						
User fees and other receivables	15,157	(4,013)	14,062	10,862	36,068	665,738
Warrants and accounts payable	119,177	(81,711)	11,706	(6,468)	42,704	-
Accrued liabilities	-	-	-	-	-	283,351
Other liabilities	144,811	88,988	(31,454)	12,926	215,271	-
Net Cash Provided By / (Used For) Operating Activities	<u>\$ 523,212</u>	<u>\$ 581,826</u>	<u>\$ (31,758)</u>	<u>\$ 19,680</u>	<u>\$ 1,092,960</u>	<u>\$ 1,255,301</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	<u>Agency Funds</u>	<u>OPEB Trust Fund</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 239,643	\$ 1,018,697
Accounts receivable	<u>64,562</u>	<u>-</u>
Total Assets	304,205	1,018,697
<u>LIABILITIES</u>		
Deferred revenue	64,562	-
Deposits held in custody	112,298	-
Other liabilities	<u>127,345</u>	<u>-</u>
Total Liabilities	<u>304,205</u>	<u>-</u>
<u>NET POSITION</u>		
Total Net Position	\$ <u>-</u>	\$ <u>1,018,697</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF AMHERST, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>OPEB Trust Fund</u>
Additions	
Interest Income	\$ <u>47</u>
Net increase, before transfers	47
Transfer in	<u>1,018,650</u>
Net increase, after transfers	1,018,697
Net position	
Beginning of year	<u>-</u>
End of year	<u>\$ 1,018,697</u>

The accompanying notes are an integral part of these financial statements.

Town of Amherst, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2013, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *ambulance receipt reserved fund* is used to account for ambulance receipts, reserved under M.G.L. Chapter 40 Section 5F, to fund future ambulance-related appropriations as directed by Town Meeting.

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

The government reports the following major proprietary funds:

- The *sewer enterprise fund*, which accounts for operations of the Town's wastewater treatment facility and supporting infrastructure.
- The *water enterprise fund*, which accounts for operations of the Town's water services and supporting infrastructure.
- The *landfill enterprise fund*, which accounts for operations of the Town's transfer station and supporting infrastructure.
- The *transportation enterprise fund*, which accounts for operations of the Town's parking operations and supporting infrastructure.

The self-insured employee health program and workers compensation funds are reported as internal service funds in the accompanying financial statements.

The *OPEB trust fund* accumulates resources for other post-employment retiree benefits for qualified employees.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2013 tax levy reflected an excess capacity of \$10,626.

G. Capital Assets

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20 - 30
Buildings	40
Building improvements	20
General infrastructure	20
Water/sewer infrastructure	50
Vehicles	3 - 5
Office equipment	5 - 7
Computer equipment	3 - 5

H. Compensated Absences

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

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. **Stewardship, Compliance and Accountability**

A. *Budgetary Information*

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

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

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

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

B. *Budgetary Basis*

The general fund final appropriation appearing on budget and actual page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. *Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 66,808,592	\$ 65,655,061
Other financing sources/uses (GAAP basis)	<u>3,692,599</u>	<u>3,525,525</u>
Subtotal (GAAP basis)	70,501,191	69,180,586
Remove effect of combining General and Stabilization funds	(39,423)	1,002,440
Adjust tax revenue to accrual basis	(213,140)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(265,853)
Add end of year appropriation carryforwards to expenditures	-	356,083
To reverse the effect of non-budgeted State contributions for teachers retirement	(3,505,866)	(3,505,866)
Reverse the effect of debt refunding	(1,049,320)	(1,049,320)
Recognize use of fund balance as funding source	1,424,522	-
Recognize other uses raised in the current year	<u>-</u>	<u>46,195</u>
Budgetary basis	<u>\$ 67,117,964</u>	<u>\$ 65,764,265</u>

D. Excess of Expenditures Over Appropriations

The excess of expenditures over appropriations appearing under Health and Human Services on page 19 of the accompanying financial statements does not constitute an over expenditure under Massachusetts General Laws, but is the result of an inconsistency in how certain departments are grouped for budgetary purposes versus financial statement presentation purposes.

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Special Revenue Funds:	
Energy Conservation Grant	\$(75,500)
Enterprise Funds:	
Landfill	\$(902,749)

The grant deficit will be eliminated through subsequent grant receipts.

The Landfill fund deficit is the result of recording a liability for estimated future monitoring costs. The deficit is expected to be eliminated as these costs are incurred over the next 22 years.

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent 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's deposits are within this limitation.

As of June 30, 2013 the Town's bank balance was comprised of the following:

Insured	\$ 20,925,923
Uninsured	4,010,139
State pool	<u>7,953,027</u>
Total bank balance	<u>\$ 32,889,089</u>

4. **Investments**

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, and the investment policy adopted by the Town in October 2012, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). The Town manages credit risk by the diversification and prudent selection of investment instruments and choice of depository. The policy also states that no more than 25% of the Town's investments shall be invested in a single financial institution.

The Town's investments consist of certificates of deposit and corporate equities, both of which are exempt from credit risk disclosure.

B. Custodial Credit Risk

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

As previously noted, the Town adopted an investment policy in October 2012 that limits unsecured bank deposits to no more than 2% of an institution's assets or 10% of the Town's cash balance. In addition, the policy limits the Treasurer to investing in financial instruments included on a list produced annually by the Commonwealth Division of Banks (commonly referred to as the "Legal List of Investments").

As of June 30, 2013, \$2,145,518 of the Town's investments of \$6,695,520 are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

Per the Town's investment policy, no more than 25% of the Town's investments shall be invested in a single financial institution. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Florence Savings Bank – CD	\$1,300,000
PeoplesBank – CD	1,000,000
Greenfield Savings Bank – CD	2,000,000
Abbey Capital	716,416

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For the most part, the policy adopted in October 2012, establishes a one year investment term limit for applicable types of investments, such as U.S. Treasury notes and certificates of deposit.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>Exempt from Disclosure</u>
Certificates of deposit	\$ 6,253,722	\$ 4,545,006	\$ 1,708,716	\$ -
Corporate equities	<u>441,798</u>	<u>-</u>	<u>-</u>	<u>441,798</u>
Total	<u>\$ 6,695,520</u>	<u>\$ 4,545,006</u>	<u>\$ 1,708,716</u>	<u>\$ 441,798</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Massachusetts General Law prohibits foreign investments, therefore, the investment policy adopted in October 2012 does not speak specifically to foreign currency issues. This risk is managed by limiting the Treasurer to investments contained on the "Legal List of Investments".

5. Taxes Receivable

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

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

General fund taxes receivable at June 30, 2013 consist of the following:

Real Estate		
2013	\$ 611,078	
2012 and prior	<u>21,988</u>	633,066
Personal Property		
2013	3,244	
2012 and prior	<u>11,991</u>	15,235
Deferred Taxes		<u>126,427</u>
		<u>\$ 774,728</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes - current	\$ 9,801	\$ -
Deferred property taxes	88,499	-
Tax title and foreclosure	566,640	-
Excises	142,544	-
Ambulance	206,300	-
Transportation	-	182,356

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

8. Loans Receivable

In January 2004, the Town sold the Cushman School to the Cushman-Scott Children's Center, Inc., a non-profit organization, for \$60,000. Under the terms of the sale, the Town received \$3,000 at closing and granted the Children's Center a \$57,000 mortgage, with the Cushman School property as collateral. The mortgage is payable to the Town over 15 years at 5% interest, in equal monthly installments throughout the loan period. The principal balance due to the Town at June 30, 2013 is \$26,304.

9. Transfers In/Out

The Town's routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them. The transfers to the airport and sewer funds from the general fund are made to supplement the annual budget.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,643,279	\$ 3,478,645
Stabilization fund	1,002,440	-
Ambulance receipt reserved fund	-	2,546,028
Nonmajor Governmental Funds:		
Special revenue funds	201,493	684,333
Capital project funds	2,109,700	208,347
Expendable trust funds	-	20,071
Sewer enterprise fund	-	16,372
Water enterprise fund	-	13,370
Landfill enterprise fund	-	5,308
Transportation enterprise fund	-	3,088
OPEB trust fund	<u>1,018,650</u>	<u>-</u>
Total	\$ <u>6,975,562</u>	\$ <u>6,975,562</u>

10. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclass. CIP</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 1,280	\$ -	\$ -	\$ 2,726	\$ 4,006
Buildings and improvements	34,355	119	-	389	34,863
Machinery, equipment, and furnishings	9,264	887	(329)	-	9,822
Infrastructure	<u>15,483</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>15,624</u>
Total capital assets, being depreciated	60,382	1,147	(329)	3,115	64,315
Less accumulated depreciation for:					
Land improvements	(297)	(182)	-	-	(479)
Buildings and improvements	(24,597)	(870)	-	-	(25,467)
Machinery, equipment, and furnishings	(6,340)	(771)	329	-	(6,782)
Infrastructure	<u>(9,355)</u>	<u>(450)</u>	<u>-</u>	<u>-</u>	<u>(9,805)</u>
Total accumulated depreciation	<u>(40,589)</u>	<u>(2,273)</u>	<u>329</u>	<u>-</u>	<u>(42,533)</u>
Total capital assets, being depreciated, net	19,793	(1,126)	-	3,115	21,782
Capital assets, not being depreciated:					
Land	2,629	158	-	-	2,787
Construction in progress (CIP)	<u>2,770</u>	<u>1,486</u>	<u>-</u>	<u>(3,115)</u>	<u>1,141</u>
Total capital assets, not being depreciated	<u>5,399</u>	<u>1,644</u>	<u>-</u>	<u>(3,115)</u>	<u>3,928</u>
Governmental activities capital assets, net	\$ <u>25,192</u>	\$ <u>518</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,710</u>

	Beginning Balance	Increases	Decreases	Reclass. CIP	Ending Balance
Business-Type Activities:					
Capital assets, being depreciated:					
Land improvements	\$ 2,700	\$ -	\$ -	\$ -	\$ 2,700
Buildings improvements and infrastructure	26,960	-	-	154	27,114
Machinery, equipment, and furnishings	<u>6,941</u>	<u>266</u>	<u>(113)</u>	<u>91</u>	<u>7,185</u>
Total capital assets, being depreciated	36,601	266	(113)	245	36,999
Less accumulated depreciation for:					
Land improvements	(2,248)	(50)	-	-	(2,298)
Buildings improvements and infrastructure	(9,844)	(590)	111	-	(10,323)
Machinery, equipment, and furnishings	<u>(6,019)</u>	<u>(196)</u>	<u>-</u>	<u>-</u>	<u>(6,215)</u>
Total accumulated depreciation	<u>(18,111)</u>	<u>(836)</u>	<u>111</u>	<u>-</u>	<u>(18,836)</u>
Total capital assets, being depreciated, net	18,490	(570)	(2)	245	18,163
Capital assets, not being depreciated:					
Land	2,004	-	-	-	2,004
Construction in progress (CIP)	<u>886</u>	<u>1,406</u>	<u>(103)</u>	<u>(245)</u>	<u>1,944</u>
Total capital assets, not being depreciated	<u>2,890</u>	<u>1,406</u>	<u>(103)</u>	<u>(245)</u>	<u>3,948</u>
Business-type activities capital assets, net	\$ <u>21,380</u>	\$ <u>836</u>	\$ <u>(105)</u>	\$ <u>-</u>	\$ <u>22,111</u>

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

Governmental Activities:	
General government	\$ 388
Public safety	454
Education	650
Public works	659
Human services	2
Culture and recreation	<u>120</u>
Total depreciation expense - governmental activities	\$ <u>2,273</u>
Business-Type Activities:	
Sewer	\$ 334
Water	318
Landfill	23
Transportation	<u>161</u>
Total depreciation expense - business-type activities	\$ <u>836</u>

11. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013 as permitted by law. Accounts payable represents additional 2013 expenditures paid after July 15, 2013.

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The deferred inflow of resources balance as of June 30, 2013 consists of deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Except for revenue that was accrued for 2013 intergovernmental receipts received in 2014, the balance of the general fund deferred revenues account is equal to the total of all June 30, 2013 receivable balances.

13. Other Current Liabilities

This balance in the general fund consists primarily of prepaid real estate taxes and unclaimed checks (tailings).

The balance in non-major governmental funds consists primarily of Adult Education and Recreation revolving funds' revenue received in fiscal year 2013 for fiscal year 2014 programs.

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2015. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2013:

2014	\$ 132,231
2015	<u>51,659</u>
Total minimum lease payments	183,890
Less amounts representing interest	<u>(9,195)</u>
Present Value of Minimum Lease Payments	<u>\$ 174,695</u>

15. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2013</u>
<u>Bonds Payable:</u>			
Public ways	06/01/16	2.50 - 4.00	\$ 65,000
Town Hall (refunding)	06/01/16	2.50 - 4.00	465,000
Police communications	10/01/17	2.00 - 3.00	125,000
DPW truck	10/01/17	2.00 - 3.00	150,000
Tree planting	10/01/17	2.00 - 3.00	306,000
Crocker Farm School (refunding)	10/01/18	2.00 - 4.00	1,195,000
Multipurpose 2010	08/01/19	2.50 - 3.00	760,000
Title V (MWPAT)	08/01/19	-	36,660
Hawthorne property	11/01/20	2.00 - 3.75	400,000
Road paving	11/01/20	2.00 - 3.75	3,600,000
Multipurpose 2012	03/15/22	2.00 - 3.00	640,000
Central Fire Station repairs	10/01/22	2.00 - 3.00	184,000
Road paving	10/01/22	2.00 - 3.00	<u>1,000,000</u>
Total Governmental Activities			<u>\$ 8,926,660</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of June 30, 2013</u>
<u>Bond Payable:</u>			
Chapel Road sewer	10/01/13	2.00 - 4.00	\$ 100,000
Parking garage (FY 10 refunding)	08/01/19	2.50 - 3.00	335,000
Harkness design (sewer)	03/15/22	2.00 - 3.00	95,000
Water treatment	03/15/32	2.00 - 3.00	3,800,000
Harkness construction (sewer)	10/01/32	2.00 - 3.00	<u>4,087,000</u>
Total Business-Type Activities			<u>\$ 8,417,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term bonds outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,384,905	\$ 286,559	\$ 1,671,464
2015	1,319,905	206,336	1,526,241
2016	1,279,810	170,971	1,450,781
2017	1,114,810	133,883	1,248,693
2018	1,109,810	101,545	1,211,355
2019 - 2023	<u>2,717,420</u>	<u>138,545</u>	<u>2,855,965</u>
Total	<u>\$ 8,926,660</u>	<u>\$ 1,037,839</u>	<u>\$ 9,964,499</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2013:

General fund	\$ 8,890,000
Special revenue fund	<u>36,660</u>
	\$ <u>8,926,660</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 572,400	\$ 212,502	\$ 784,902
2015	475,400	195,689	671,089
2016	470,400	182,766	653,166
2017	470,400	168,967	639,367
2018	465,400	155,055	620,455
2019 - 2023	2,163,000	579,103	2,742,103
2024 - 2028	2,000,000	346,700	2,346,700
Thereafter	<u>1,800,000</u>	<u>114,650</u>	<u>1,914,650</u>
Total	\$ <u>8,417,000</u>	\$ <u>1,955,432</u>	\$ <u>10,372,432</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2013</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion June 30, 2013</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 8,371	\$ 1,765	\$ (1,209)	\$ 8,927	(1,385)	7,542
Other:						
Capital lease	255	43	(123)	175	(125)	50
Accrued employee benefits	1,980	51	-	2,031	-	2,031
Other post-employment benefits	<u>17,028</u>	<u>4,214</u>	<u>-</u>	<u>21,242</u>	<u>-</u>	<u>21,242</u>
Totals	\$ <u>27,634</u>	\$ <u>6,073</u>	\$ <u>(1,332)</u>	\$ <u>32,375</u>	\$ <u>(1,510)</u>	\$ <u>30,865</u>

	<u>Total Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance June 30, 2013</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion June 30, 2013</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,893	\$ 4,087	\$ (563)	\$ 8,417	\$ (572)	\$ 7,845
Other:						
Landfill post-closure	1,380	-	(60)	1,320	(60)	1,260
Accrued employee benefits	217	2	-	219	-	219
Other post-employment benefits	<u>968</u>	<u>273</u>	<u>-</u>	<u>1,241</u>	<u>-</u>	<u>1,241</u>
Totals	\$ <u>7,458</u>	\$ <u>4,362</u>	\$ <u>(623)</u>	\$ <u>11,197</u>	\$ <u>(632)</u>	\$ <u>10,565</u>

D. Advance Refunding

On March 15, 2013 the Town issued general obligation bonds in the amount of \$6,847,000 (interest rate ranging from 2% - 3%), \$995,000 of which was used to advance refund \$ 1,000,000 of term bonds with an interest rate of 3.5%. The term bonds mature on October 1, 2018 and are redeemable (with a premium) on October 1, 2013. The general obligation bonds were issued at 104% and, after paying issuance costs of \$22,112, the net proceeds were \$1,049,320. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments (and a redemption premium) until the term bonds are called on October 1, 2013. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$64,492 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$62,433.

Defeased debt still outstanding at June 30, 2013 is \$1,000,000.

16. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure care costs as a liability in the proprietary fund in each period based on landfill capacity used as of each balance sheet date.

The Town stopped accepting waste in 2003 and closed the landfill in fiscal year 2004. The \$1,320,000 reported as landfill post-closure care liability at June 30, 2013 represents post-closure care costs estimated to be \$60,000/year for the next 22 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

17. Restricted Net Position

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

Restricted net position reported in business-type activities represents reserves of equity, as designated by management, and grant revenue received in a prior year, which funded a portion of capital assets. The grant revenue portion of restricted net position is being amortized over the life of the related asset.

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

18. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2013:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the balance remaining in capital projects funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance includes various special revenue funds set aside by Town Meeting and the balance of capital project funds funded by appropriation.

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

Unassigned - Represents amounts that are available to be spent in future periods. This fund balance classification includes stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54) and funds with deficit balances at June 30, 2013.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Ambulance Receipt Reserved	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 332,999	\$ 332,999
Total Nonexpendable	-	-	332,999	332,999
Restricted				
Bonded projects	-	-	1,488,394	1,488,394
Special revenue funds	-	3,057,059	1,424,380	4,481,439
Expendable permanent funds	-	-	121,485	121,485
Total Restricted	-	3,057,059	3,034,259	6,091,318
Committed				
Town set-asides	-	-	33,360	33,360
Community preservation fund	-	-	156,769	156,769
Capital project funds	-	-	2,312,447	2,312,447
Total Committed	-	-	2,502,576	2,502,576
Assigned				
Encumbrances	356,083	-	-	356,083
Reserved for expenditures	120,000	-	-	120,000
Total Assigned	476,083	-	-	476,083
Unassigned				
Unassigned	5,390,961	-	-	5,390,961
Stabilization fund	2,958,856	-	-	2,958,856
Deficit special revenue fund	-	-	(75,500)	(75,500)
Total Unassigned	8,349,817	-	(75,500)	8,274,317
Total Fund Balance	\$ 8,825,900	\$ 3,057,059	\$ 5,794,334	\$ 17,677,293

19. **Commitments and Contingencies**

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

20. **Subsequent Events**

In fiscal year 2014, the Town entered into two lease agreements for computer sever equipment and a mower, both of which the Town will own at the end of each lease's three year term. Annual lease payments are approximately \$36,000.

21. **Pension Plan**

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

A. Plan Description

The Town contributes to the Hampshire County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The Town provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the Town the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The Town issues a publicly available financial report which can be obtained through the Hampshire County Retirement Board.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2013, 2012, and 2011, were \$3,890,268,

\$3,638,867, and \$3,539,564, respectively, which were equal to its annual required contributions for each of these years.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participants date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%*
January 1, 1984 - June 30, 1996	8%*
July 1, 1996 - June 30, 2001	9%*
Beginning July 1, 2001	11%

* Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$3,505,866 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

22. Post-Employment Health Care and Life Insurance Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2012, the actuarial valuation date, approximately 339 retirees (and spouses) and 529 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute between 10% and 25% of the cost of the health plan, depending on their date of retirement and the health plan chosen, as determined by the Town. Surviving spouses contribute between 10% and 50% depending on the health plan chosen. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2012 (in thousands).

	Governmental Funds	Sewer Fund	Water Fund	Landfill Fund	Transportation Fund	Total
Annual Required Contribution (ARC)	\$ 8,267	\$ 242	\$ 119	\$ 51	\$ 39	\$ 8,718
Interest on net OPEB obligation	597	17	9	4	3	630
Adjustment to ARC	<u>(609)</u>	<u>(18)</u>	<u>(9)</u>	<u>(4)</u>	<u>(3)</u>	<u>(643)</u>
Annual OPEB cost	8,255	241	119	51	39	8,705
Contributions made	(3,075)	(65)	(19)	(18)	(22)	(3,199)
Additional funding to OPEB Trust	<u>(966)</u>	<u>(28)</u>	<u>(14)</u>	<u>(6)</u>	<u>(5)</u>	<u>(1,019)</u>
Increase in net OPEB obligation	4,214	148	86	27	12	4,487
Net OPEB obligation - beginning of year	<u>17,028</u>	<u>522</u>	<u>304</u>	<u>95</u>	<u>46</u>	<u>17,995</u>
Net OPEB obligation - end of year	<u>\$ 21,242</u>	<u>\$ 670</u>	<u>\$ 390</u>	<u>\$ 122</u>	<u>\$ 58</u>	<u>\$ 22,482</u>

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

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 8,705	48%	\$ 22,482
2012	\$ 8,232	31%	\$ 17,995
2011	\$ 6,534	35%	\$ 12,287
2010	\$ 6,201	33%	\$ 8,009
2009	\$ 6,022	36%	\$ 3,882

The Town's net OPEB obligation as of June 30, 2013 is recorded as a component of the "other long-term liabilities" line item in both the governmental activities and business-type activities.

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 93,708
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 93,708</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>30,197</u>
UAAL as a percentage of covered payroll	<u>310.3%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of

events far into the future. Examples included 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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 3.5% interest/discount rate and a healthcare cost trend rate of 5% for all healthcare benefits after fiscal year 2012, which had no rate increase. The amortization costs for the UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%.

23. Self Insurance

The Town self insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town's workers compensation policy and, for cost benefit purposes, has not contracted for excess liability coverage. The Town estimates that there are no material claims outstanding at year end. Accordingly, no accrued claims liability is reported.

Health Insurance

The Town contracts with an insurance consultant for claims processing and for excess liability coverage. Under the terms of its insurance coverage, the Town is liable for costs incurred up to \$200,000 per covered individual, with a maximum per person lifetime coverage of \$2,000,000. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Claims liability, July 1, 2012	\$ 1,088,014
Claims incurred/recognized in fiscal year 2013	11,558,590
Claims paid in fiscal year 2013	<u>(11,275,239)</u>
Claims liability, June 30, 2013	<u>\$ 1,371,365</u>

The claims liability at year end was comprised of the following:

Monthly claims through June 2013, paid in fiscal year 2014	\$ 579,847
Estimated incurred but not reported claims	<u>791,518</u>
Total claims liability	<u>\$ 1,371,365</u>

Segment Information

Segment information for the internal service funds for the year ended June 30, 2013 is as follows:

	Health <u>Insurance</u>	Workers <u>Compensation</u>	<u>Total</u>
Cash	\$ 4,719,703	\$ 279,843	\$ 4,999,546
Total assets	6,910,462	279,843	7,190,305
Claims liability	1,371,365	-	1,371,365
Total equity	5,539,097	279,843	5,818,940
Operating revenue	13,360,888	97,469	13,458,357
Operating expense	13,086,315	65,830	13,152,145
Change in net position	289,001	32,281	321,282

24. Risk Management

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

25. Beginning Fund Balance and Net Position Restatement

The beginning, July 1, 2012, fund balance and net position of the Town have been restated as follows:

	<u>Government-Wide Financial Statements</u>	<u>Fund Basis Financial Statements</u>	
	<u>Governmental Activities</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
As previously stated	\$ 20,335,492	\$ 4,710,062	\$ 15,389,812
Miscellaneous correction	-	23	23
Adjust previously estimated receivable accrual	<u>(131,493)</u>	<u>(131,493)</u>	<u>(131,493)</u>
As restated	<u>\$ 20,203,999</u>	<u>\$ 4,578,592</u>	<u>\$ 15,258,342</u>

26. Implementation of New GASB Standards

The GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Hampshire County Retirement System's actuarially accrued liability.

TOWN OF AMHERST, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2013

(Unaudited)

(amounts expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
06/30/12	-	\$ 93,708	\$ 93,708	0%	30,197	310.3%
06/30/10	-	74,870	74,870	0%	25,789	290.3%
07/01/07	-	68,990	68,990	0%	n/a	n/a

HAMPSHIRE COUNTY RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

(amounts expressed in thousands)

**Employees' Retirement System
 Schedule of Funding Status**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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]
01/01/12	\$ 204,116	\$ 367,511	\$ 163,395	55.5%	\$ 68,575	238.3%
01/01/10	\$ 179,861	\$ 312,878	\$ 133,017	57.5%	\$ 68,276	194.8%
01/01/08	\$ 163,497	\$ 257,885	\$ 94,388	63.4%	\$ 68,108	138.6%

**Employees' Retirement System
 Schedule of Employer Contributions**

Plan Year End	System Wide			Town	
	Annual Required Contributions	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/12	\$ 15,154	\$ 15,154	100%	\$ 3,890	25.7%
12/31/11	\$ 14,201	\$ 14,201	100%	\$ 3,639	25.6%
12/31/10	\$ 13,311	\$ 13,311	100%	\$ 3,540	26.6%

See Independent Auditor's Report.



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(Date of Delivery)

Claire McGinnis, Treasurer
Town of Amherst
Amherst, Massachusetts

\$1,950,000
Town of Amherst, Massachusetts
General Obligation Municipal Purpose Loan of 2015 Bonds
Dated February 17, 2015

We have acted as bond counsel to the Town of Amherst, 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, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

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

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Amherst, Massachusetts (the “Issuer”) in connection with the issuance of its \$1,950,000 General Obligation Municipal Purpose Loan of 2015 Bonds dated February 17, 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.

“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 February 3, 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 (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

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

SECTION 5. Reporting of Significant Events.

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

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

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Issuer.*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this

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

Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond 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: February 17, 2015

TOWN OF AMHERST,
MASSACHUSETTS

By _____
Treasurer

Selectboard

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

AM 45352735.1

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This form is provided for the convenience of bidders
but its use is not required

PROPOSAL FOR
\$1,950,000
TOWN OF AMHERST, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2015 BONDS

February 3, 2015

Ms. Claire E. McGinnis, Treasurer
Town of Amherst, Massachusetts
c/o UniBank Fiscal Advisory Services, Inc.
49 Church Street
Whitinsville, Massachusetts 01588

Dear Ms. McGinnis:

For all of the \$1,950,000 Town of Amherst, Massachusetts, General Obligation Municipal Purpose Loan of 2015 Bonds, Book-Entry Only, as further described in the Notice of Sale dated January 22, 2015, we bid a price of par plus \$ _____, plus accrued interest, if any, to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their dated date until maturity at the respective rates per annum stated in the following table:

<u>Year</u>	<u>Rate*</u>	<u>Year</u>	<u>Rate*</u>	<u>Year</u>	<u>Rate*</u>
2016		2020		2023	
2017		2021		2024	
2018		2022		2025	
2019					

* Complete for maturing serial bonds

TERM BONDS

\$ _____ Term Bond maturing on February 15, 2025 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 _____

The following is our computation of the true interest cost and percent true interest cost, made as provided in the above mentioned Notice of Sale, but not constituting any part of the foregoing proposal, of the purchase of \$1,950,000 General Obligation Municipal Purpose Loan of 2015 Bonds under the foregoing proposal:

True Interest Cost. \$ _____ Percent True Interest Cost _____ %
(four decimals)

UniBank Fiscal Advisory Services, Inc. will assist in submitting bids on this issue if desired. Please sign a blank bid form and mail it in advance of the sale to David M. Eisenthal at the above address or fax it to (508) 234-1938. UniBank Fiscal Advisory Services, Inc. will act as agent for bidders if they will telephone final figures to (508) 849-4222 approximately one-half hour before the sale. Bidders are responsible for any errors in bids submitted in this manner.