

NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 26, 2017

NEW ISSUE

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, 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. 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. The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. See “Tax Exemption” herein.

\$2,853,000
TOWN OF PEMBROKE, MASSACHUSETTS
General Obligation Municipal Purpose Loan of 2017 Bonds
Book-Entry-Only
Bank-Qualified

Dated: Date of Delivery				Due: (As shown below)			
<u>Due:</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Due:</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Rate</u>	<u>Yield</u>
2018	\$418,000	%	%	2023	\$230,000	%	%
2019	395,000			2024	225,000		
2020	385,000			2025	190,000		
2021	385,000			2026	180,000		
2022	355,000			2027	90,000		

Principal of the Bonds will be payable on February 1 of the years in which the Bonds mature. Interest will be payable on August 1, 2017 and semi-annually thereafter on each February and August.

The Bonds are not subject to redemption prior to their stated dates of maturity.

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for three bonds of \$1,000 each maturing in 2018) with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, (“DTC”), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

The Bonds are offered subject to the final offering opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town. It is expected that the Bonds, in definitive form, will be delivered to DTC, or its custodial agent, on or about February 10, 2017 against payment in Federal Reserve Funds.

Electronic and Sealed Bids Received
Until 11:00 A.M. (Eastern Standard Time)
Thursday, February 2, 2017 at
EASTERN BANK
 Boston, Massachusetts
Financial Advisor

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

TOWN OF PEMBROKE, MASSACHUSETTS

\$2,853,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2017 BONDS

Book-Entry-Only

Bank-Qualified

NOTICE OF SALE

The Town of Pembroke, Massachusetts, will receive proposals until 11:00 A.M. (local time) on Thursday, February 2, 2017, at Eastern Bank, Boston, Massachusetts, for the purchase of the following described Bonds:

\$2,853,000 General Obligation Municipal Purpose Loan of 2017 Bonds payable as follows:

<u>Due February 1</u>	<u>Principal Amount</u>	<u>Due February 1</u>	<u>Principal Amount</u>
2018	\$418,000	2023	\$230,000
2019	395,000	2024	225,000
2020	385,000	2025	190,000
2021	385,000	2026	180,000
2022	355,000	2027	90,000

The Bonds will be dated February 10, 2017. Principal of the Bonds will be payable on February 1 of the years in which the Bonds mature. Interest will be payable on August 1, 2017 and semi-annually thereafter on each February 1 and August 1 until maturity.

The Bonds are not subject to redemption prior to their stated dates of maturity.

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for three principal amounts of \$1,000 each maturing in 2018) with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of the Bonds will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody. The winning bidder, as a condition of delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co.

The original Bonds to be immobilized at DTC will be prepared and their legality approved by Locke Lord LLP, Bond Counsel, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

As between proposals that comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of February 2, 2017, discounts semi-annually all future payments on account of principal and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, if any, which accrued interest shall be paid by the successful bidder.

Bidder(s) shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/8th or 1/20th of 1%, but shall not state: (a) more than one interest rate for any Bonds having a like maturity; (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. No bid of less than par **PLUS A PREMIUM OF NOT LESS THAN \$45,000**, plus accrued interest to date of delivery, if any, will be considered.

Electronic proposals will be submitted through **PARITY/i-Deal™**. If any provisions in this Notice of Sale conflict with information provided by **PARITY/i-Deal™** this Notice of Sale shall control. Further information about

PARITY/i-Deal™, including any fees charged, may be obtained at (212) 404-8102. The Town assumes no responsibility or liability for bids submitted in this manner.

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

Other bids, including bids delivered by telegram, should be sealed, marked "Proposal for Bonds" and addressed to Kathleen McCarthy, Treasurer, Town of Pembroke, Massachusetts, c/o Eastern Bank, Municipal Finance Department, Third Floor, 265 Franklin Street, Boston, Massachusetts 02110. Proposals delivered as specified will be accepted. Blank bid forms with signature may be faxed to Eastern Bank prior to submitting bids at (617) 235-8110, with actual bids telephoned to (617) 235-8102 or (617) 235-8104, at least one half hour prior to the 11:00 AM (local time) sale and after receipt of the faxed bid form by Eastern Bank which will act as agent for the bidder(s) in submitting the final sealed bids. Neither the Town nor Eastern Bank shall be responsible for bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Eastern Bank by not later than 11:15 A.M. on the date of sale. A good faith deposit is not required.

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

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

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of February 2, 2017 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

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

In order to assist bidders in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the Town will undertake to provide annual reports and notices of certain significant events. A description of this

undertaking is set forth in the Preliminary Official Statement and the proposed form of Continuing Disclosure Certificate is provided in Appendix D. The Continuing Disclosure Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

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

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

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or its custodial agent, on or about February 10, 2017 against payment in Federal Reserve funds.

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated January 26, 2017, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not deemed a part of this Notice of Sale. Copies of the Preliminary Official Statement and a suggested form of the proposal for the Bonds may be obtained from Eastern Bank, Municipal Finance Department, Third Floor, 265 Franklin Street, Boston, Massachusetts 02110, telephone: (617) 235-8102. The Preliminary Official Statement is deemed final by the Town as of its date for purposes of the Rule except for the omission of the reoffering prices, interest rates and any other terms of the Bonds depending on such matters and the identity of the purchasers. Within seven (7) business days following the award of the Bonds in accordance herewith, no more than 50 copies of the Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser’s expense.

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

Town of Pembroke, Massachusetts

By: /s/ Kathleen McCarthy, Treasurer

Dated: January 26, 2017

DISTRIBUTION LIST

ISSUER

Town of Pembroke, MA
100 Center Street, Town Hall, Treasurer
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 Email: kmccarthy@townofpembrokemass.org

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OFFICIAL STATEMENT
TOWN OF PEMBROKE, MASSACHUSETTS
\$2,853,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2017 BONDS

BANK-QUALIFIED

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Pembroke, Massachusetts (the “Town”) in connection with the sale of its \$2,853,000 General Obligation Municipal Purpose Loan of 2017 Bonds (the “Bonds”).

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. The Bonds are not guaranteed by The Commonwealth of Massachusetts (the “Commonwealth”) or any other entity. 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 limits imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the Bonds that the Town did not vote to exempt from such limits, and without limit as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws with respect to the portion of the Bonds that the Town voted to exempt from the limits imposed by Chapter 59, Section 21C of the General Laws. The security for the Bonds is more fully described under the caption “THE BONDS - *Security and Remedies*” below. See also “*Proposed Form of Legal Opinion*” in Appendix C.

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Kathleen McCarthy, Treasurer, (781) 293-3893 or Patricia E. Redman, Vice President, Eastern Bank, (617) 235-8102.

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

THE BONDS

Description of the Bonds

The Bonds will be dated February 10, 2017, and will bear interest payable on August 1, 2017 and semi-annually thereafter on each February 1 and August 1 until maturity. Interest will be calculated on the basis of a 30-day month and a 360-day year. Principal on the Bonds will be payable on February 1 of the years and in the amounts shown on the cover of this Official Statement.

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

The Bonds will be issued by means of a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof (except for three with principal amounts of \$1,000 each maturing in 2018) with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC participants. No physical distribution of bond certificates will be made to the public. One certificate for each maturity of the Bonds will be issued to DTC, and immobilized in its custody.

Record Date

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

Book-Entry-Only System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC except in the event that use of the book-entry system for such securities is discontinued.

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

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

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

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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.

Optional Redemption

The Bonds are not subject to redemption prior to their stated dates of maturity.

Authorization and Use of Proceeds

The \$2,853,000 Municipal Purpose Loan of 2017 consists of the following amounts and purposes:

\$1,848,000 *Department Equipment Bonds* authorized under Chapter 44, Section 7(1) of the Massachusetts General Laws and votes of the Town passed as follows:

\$950,000 for the purchase of the following equipment items and amounts: Front End Loader (\$350,300), Ten-Wheel Dump Truck (\$312,750), Snow Blower (\$110,500), and Tractor with attachment (\$176,450) passed April 28, 2015 under Article 18. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

\$20,000 for the purchase of a Library Generator passed April 28, 2015 under Article 21. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

\$325,000 for the purchase of Trash Receptacles passed May 10, 2016 under Article 4. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

\$179,000 for the purchase of a ten-wheel dump truck passed October 28, 2014 under Article 1. A total of \$205,000 was authorized by said vote and is outstanding in bond anticipation notes of which \$26,000 will be paid down at maturity from revenue funds of the Town and the balance retired with bond proceeds.

\$54,000 for the purchase of Lift for the Department of Public Works passed October 28, 2014 under Article 1. A total of \$65,000 was authorized by said vote and is outstanding in bond anticipation notes of which \$11,000 will be paid down at maturity from revenue funds of the town and the balance retired with bond proceeds.

\$220,000 for the purchase of a new Mini-Pumper Truck passed October 18, 2016 under Article 1. There are no bond anticipation notes outstanding for this authorization.

\$100,000 for the purchase of Unmarked Police Cruisers passed October 18, 2016 under Article 1. There are no bond anticipation notes outstanding for this authorization.

\$655,000

Drainage Bonds authorized under Chapter 44, Section 7(1) of the Massachusetts General Laws and votes of the Town passed as follows:

\$20,000 for Plymouth Street Drainage passed October 28, 2014 under Article 2. A total of \$30,000 was authorized by said vote and is outstanding in bond anticipation notes, of which \$10,000 will be paid at maturity from revenue funds of the town and the balance retired with bond proceeds.

\$385,000 for Hobomock Learning Lane Drainage passed October 27, 2015 under Article 8. There are no bond anticipation notes currently outstanding for this authorization.

\$200,000 for Route 14 Drainage passed October 27, 2015 under Article 9. There are no bond anticipation notes currently outstanding for this authorization.

\$50,000 for Route 14 Drainage (non-participating agreement) passed October 18, 2016 under Article 10. There are no bond anticipation notes currently outstanding for this authorization.

\$260,000

Planning Bonds authorized under Chapter 44, Section 7(7) of the Massachusetts General Laws and votes of the Town passed as follows:

\$50,000 for a Police and Fire Needs Study passed May 10, 2016 under Article 7. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

\$55,000 for Hobomock Drainage Study passed October 28, 2014 under Article 1. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

\$125,000 for Furnace Brook Pond Engineering passed October 27, 2015 under Article 12. There are no bond anticipation notes currently outstanding for this authorization.

\$30,000 for Public Works Feasibility Study passed October 18, 2016 under Article 15. There are no bond anticipation notes currently outstanding for this authorization.

\$90,000

Land Acquisition Bonds authorized under Chapter 44, Section 7(1) of the Massachusetts General Laws and votes of the Town passed April 28, 2015 under Article 13 for the purchase of land in town known as Owls Bog. A like amount of outstanding bond anticipation notes will be retired with bond proceeds.

Tax Exemption

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

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

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

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

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

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

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

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

Security and Remedies

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

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

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

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

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Property Tax Limitations*" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order,

the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

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

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

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter

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

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to 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 enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. In the last five years, the Town has not failed, in any material respect, to comply with any other previous undertakings to provide annual reports or notices of significant events, in accordance with the Rule, except as follows: It has recently come to the Town's attention that the August 28, 2014 ratings upgrade by Standard & Poor's was a material event and notice was not filed in a timely manner. The Town has since made the filing.

The Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Town from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Kathleen McCarthy, Treasurer, Town of Pembroke, 100 Center Street, Town Hall, Pembroke, MA 02359; 781-293-3893.

Bank Eligibility

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

Rating

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

Financial Advisor

Eastern Bank has acted as Financial Advisor to the Town of Pembroke with respect to this issue of Bonds.

Opinion of Bond Counsel

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

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

THE TOWN

The Town of Pembroke (“The Town”) established as a town in 1712 and governed by an open town meeting form of government, is located in Southeastern Massachusetts in Plymouth County approximately 28 miles from Boston. The Town of Pembroke covers an area of approximately 23.48 square miles and is bordered by the Towns of Hanover, Norwell and Marshfield on the north and northeast, Duxbury on the east, Kingston, Plympton and Halifax on the south and Hanson on the west.

Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, ambulance and paramedic services, public education in grades kindergarten through twelve, water services, streets, parks and recreation. In addition, the Town operates its own recycling center and has a contract with an outside firm for servicing its residents for the disposal of solid waste. The principal services provided by the County are space for courts, a jail and house of correction, a hospital, and registries of deeds and probate.

Principal Municipal Facilities

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

<u>Facility</u>	<u>Date Built (Remodeled)</u>	<u>Fiscal 2017 Valuation</u>
Pembroke High School	1975/1995/2004	\$28,561,400
Hobomock Elementary School	1975/2001	\$14,687,000
Bryantville Elementary School	1963/2001	\$14,449,200
North Pembroke Elementary School	1966/2001	\$16,089,400
Pembroke Community Middle School	1970/2004	\$12,162,100
Library	1998	\$4,645,400
Community Center	1934	\$2,210,300
Town Hall	1979/2000	\$1,365,600
Police Station	1977	\$1,168,800
Center Fire Station	1976	\$1,311,000
Highway/Water Department – Glenwood Rd.	2001	\$1,068,900
Senior Center	1923/1998	\$883,800
Bryantville Fire Station	1950	\$651,700
North Pembroke Fire Station	1955	\$725,400

Governing Bodies and Officers

Local legislative decisions are made by an open town meeting form of government. Subject to the legislative decisions made by the Town Meeting, the affairs of the Town are generally administered by a board of five selectmen assisted by a Town Administrator.

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

Principal Executive Officers

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

<u>Title</u>	<u>Name</u>	<u>Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Selectman	Lewis W. Stone, Chairman	Elected	3 Years	2018
Selectman	Willard J. Boulter, Vice-Chair	Elected	3 Years	2017
Selectman	Daniel Trabucco,	Elected	3 Years	2018
Selectman	Arthur P. Boyle, Clerk	Elected	3 Years	2017
Selectman	Matthew Furlong	Elected	3 Years	2019
Town Administrator	Edwin Thorne	Appointed	3 Years	2017
Town Accountant	Michael Buckley	Appointed	3 Years	2019
Treasurer/Collector	Kathleen McCarthy	Appointed	Indefinite	N/A
Town Clerk	Mary Ann Smith	Elected	3 Years	2017
Superintendent of Schools	Erin Sullivan-Obey	Appointed	3 Years	2019
Superintendent of Public Works	Eugene B. Fulmine, Jr.	Appointed	Indefinite	N/A
Town Counsel	Kopelman & Paige	Appointed	1 Year	2017

Collective Bargaining

The Town has approximately 682 employees, of whom approximately 64 percent belong to unions or other collective bargaining groups. The following table sets forth the collective bargaining groups.

<u>Union</u>	<u>Department</u>	<u>Members</u>	<u>Expires</u>
IAFF Local 2351	Fire	25	6/30/16(1)
Pembroke Police Union	Police	25	6/30/19
AFSCME Local 1700	Clerical	27	6/30/17(1)
AFSCME Local 1700	Public Works	21	6/30/17(1)
Pembroke Teachers Association	Unit A&B (Professional Staff)	223	6/30/19
Pembroke Teachers Association	Paraprofessionals & Clerical	58	6/30/19
Pembroke Teachers Association Support Unit	Custodial	19	6/30/19
Pembroke Teachers Association	Cafeteria Workers	20	6/30/19
Total:		418	

(1) Currently in negotiations.

Other Data

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

Median Age

Age	Pembroke			Plymouth County			Massachusetts		
	Number	Percent		Number	Percent		Number	Percent	
Under 5 Years	982	5.5	%	27,347	5.5	%	365,403	5.5	%
5 Years to 19 Years	4,010	22.3		102,029	20.4		1,247,674	18.7	
20 Years to 64 Years	10,867	60.4		295,964	59.1		4,085,614	61.4	
65 Years and Over	2,147	11.9		75,432	15.1		958,600	14.4	
Total	<u>18,006</u>	<u>100.0</u>	%	<u>500,772</u>	<u>100.0</u>	%	<u>6,657,291</u>	<u>100.0</u>	%
Median Age	41			42			39		
Median Age (2000)	36			36.8			36.5		

Source: U.S. Department of Commerce

Per Capita Income

Year	Pembroke			Plymouth County			Massachusetts		
	Amount	% Change		Amount	% Change		Amount	% Change	
2014 5-year estimates	\$37,823	39.7	%	\$35,869	44.7	%	\$36,441	40.4	%
1999	27,066	63.7		24,789	50.0		25,952	50.7	
1989	16,531	151.9		16,523	136.8		17,224	131.0	
1979	6,563	0.0		6,978	0.0		7,457	0.0	
% Below Poverty Level (2014 5-year estimates)	4.1	%		7.7	%		11.6	%	

Source: U.S. Department of Commerce

Family Income

Income for Families	Pembroke			Plymouth County			Massachusetts		
	Families	Percent		Families	Percent		Families	Percent	
Less than \$10,000	75	1.5	%	3,268	2.5	%	59,047	3.7	%
10,000 - 24,999	231	4.7		7,661	5.9		133,424	8.3	
25,000 - 49,999	643	13.1		19,143	14.8		259,622	16.1	
50,000 - 74,999	637	13.0		21,129	16.4		250,684	15.5	
75,000 - 99,999	732	14.9		19,795	15.4		226,045	14.0	
100,000 - 149,999	1,382	28.1		29,922	23.2		331,419	20.5	
150,000 or more	<u>1,217</u>	<u>24.8</u>		<u>28,037</u>	<u>21.7</u>		<u>354,821</u>	<u>22.0</u>	
Total	<u>4,917</u>	<u>100.0</u>	%	<u>128,955</u>	<u>100.0</u>	%	<u>1,615,062</u>	<u>100.0</u>	%
Median Income	\$ 104,977			\$ 91,593			\$ 86,132		

Source: U.S. Department of Commerce

Household Income

<u>Income for Households</u>	<u>Pembroke</u>		<u>Plymouth 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	112	1.8 %	7,472	4.1 %	154,704	6.1 %
10,000 - 24,999	451	7.2	20,160	11.2	352,172	13.9
25,000 - 49,999	950	15.2	32,034	17.7	464,120	18.3
50,000 - 74,999	972	15.6	29,638	16.4	402,049	15.8
75,000 - 99,999	897	14.4	25,976	14.4	322,545	12.7
100,000 - 149,999	1,537	24.6	34,581	19.1	426,367	16.8
150,000 or more	<u>1,329</u>	<u>21.3</u>	<u>30,798</u>	<u>17.0</u>	<u>416,528</u>	<u>16.4</u>
Total	<u>6,248</u>	<u>100.0</u> %	<u>180,659</u>	<u>100.0</u> %	<u>2,538,485</u>	<u>100.0</u> %
Median Income	\$89,954		\$75,816		\$67,846	

Source: U.S. Department of Commerce

Median Value Owner-Occupied Housing Units

<u>Units</u>	<u>Pembroke</u>		<u>Plymouth 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	112	2.1 %	6,580	4.8 %	68,804	4.4 %
100,000 - 199,999	193	3.6	14,854	10.8	221,311	14.0
200,000 - 299,999	1,409	26.2	37,696	27.3	392,286	24.8
300,000 - 499,999	3,043	56.5	54,279	39.3	566,852	35.9
500,000 - 999,999	592	11.0	21,106	15.3	274,666	17.4
1,000,000 or more	<u>39</u>	<u>0.7</u>	<u>3,463</u>	<u>2.5</u>	<u>57,019</u>	<u>3.6</u>
Total	<u>5,388</u>	<u>100.0</u> %	<u>137,978</u>	<u>100.0</u> %	<u>1,580,938</u>	<u>100.0</u> %
Median Value	\$350,000		\$328,200		\$329,900	

Source: U.S. Department of Commerce

Population

<u>Year</u>	<u>Pembroke</u>		<u>Plymouth County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2015 estimate	18,273	2.4 %	510,393	3.1 %	6,794,422	3.8 %
2010	17,837	5.4	494,919	4.7	6,547,629	3.1
2000	16,927	16.4	472,822	8.6	6,349,097	5.5
1990	14,544	7.8	435,276	7.4	6,016,425	4.9
1980	13,487	0.0	405,437	0.0	5,737,037	0.0

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

Unemployment

<u>Calendar Year(1)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate</u>					
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>		
2016 (October)	10,290	10,039	2.4 %	2.8 %	2.7 %	4.7 %		
2015	10,234	9,760	4.6	5.2	5.0	5.3		
2014	10,182	9,634	5.4	6.1	5.7	6.2		
2013	10,091	9,458	6.3	7.0	6.7	7.4		
2012	10,060	9,382	6.7	7.1	6.7	8.1		

Source: Massachusetts Department of Employment & Training

(1) Full year averages except for 2016 which is for the month indicated.

Employment and Payrolls

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Construction & Natural Resources	787	760	678	678	583
Manufacturing	408	404	421	439	367
Trade, Transportation & Utilities	1,357	1,377	1,417	1,409	1,307
Financial Activities	179	171	165	164	134
Professional & Business Services	568	594	583	538	519
Education & Health Services	709	702	1,251	1,149	1,140
Leisure & Hospitality	973	896	889	840	830
Information & Other Services	320	293	287	329	313
Public Administration	-0-	-0-	-0-	-0-	-0-
Total Employment	<u>6,009</u>	<u>5,927</u>	<u>5,886</u>	<u>5,742</u>	<u>5,387</u>
Number of Establishments	577	554	548	543	559
Total Annual Wage (000)	\$ 273,374	\$ 263,352	\$ 254,343	\$ 256,304	\$ 222,447
Average Weekly Wage	875	854	831	858	794

Source: Massachusetts Department of Employment & Training

Principal Employers

The Town is the largest employer with approximately 682 employees. The other principal employers are set forth below:

<u>Company</u>	<u>Nature of Business</u>	<u>Employees</u>
Pembroke Hospital	Psychiatric Hospital	240
Stop and Shop #14	Retail Grocer	200
Lowe's Home Improvement	Home Improvement	190
New England Villages	Housing	185
Kohl's Department Store	Department Store	129
Stop and Shop #2414	Retail Grocer	115
Christmas Tree Shop	Retail Sales	85
The 99 Restaurant	Restaurant	71
Longhorn Steakhouse	Restaurant	50
USA Health & Fitness	Gym	48
E.S. Ritchie	Marine Compasses	45

Source: The Town

Building Permits

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

	<u>For Calendar Year</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Residential:					
Number.....	596	507	489	467	416
Value.....	\$12,374,905	\$10,430,500	\$14,055,806	\$11,307,712	\$11,242,386
Non-Residential:					
Number.....	41	56	62	45	72
Value.....	\$11,019,964	\$1,627,254	\$5,258,405	\$885,120	\$1,092,525

Public School Facilities

<u>Name</u>	<u>Grade</u>	<u>Date Built</u>	<u>Added to (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment(1)</u>
Elementary:					
North Pembroke	K-6	1966	2001	850	576
Bryantville	K-6	1963	2001	850	514
Hobomock	K-6	1975	2001	650	435
Pembroke Community Middle School	7-8	1970	2004	675	504
Pembroke High School	9-12	1977	1995 (2004)	1,000	967
Totals:				<u>4,025</u>	<u>2,996</u>

(1) As of October 1, 2016.

Public School Enrollments

	<u>Actual (1)</u>				<u>Projected</u>	
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Elementary	1,702	1,701	1,601	1,525	1,439	1,386
Middle	590	527	527	504	504	463
High	984	1030	1,005	967	939	880
Totals:	<u>3,274</u>	<u>3,258</u>	<u>3,133</u>	<u>2,996</u>	<u>2,882</u>	<u>2,729</u>

(1) As of October 1 of each year

Public School Student-Teacher Ratios

Elementary - 20:1	Middle - 26:1	High - 25:1
Total Number of Teachers & Teacher's Aides		297
Total Number of Administrative Staff		<u>24</u>
		Total: <u>321</u>

Source: The Town.

INDEBTEDNESS

Serial bonds and notes are authorized by a two-thirds vote of the town meeting. 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 debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

The general debt limit of the Town of Pembroke consists of a normal debt limit and a double debt limit. The normal debt limit is 5.0 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize up to \$119,162,520 without state approval and up to twice this amount (\$238,325,040 – double debt limit) with the approval of the Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts (“MFOB”).

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

Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue. Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the MFOB 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 MFOB. 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 ten 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. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

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

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

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

Debt Summary

	Outstanding <u>2/1/2017</u>	Authorized Unissued Bonds <u>2/1/2017</u>	Outstanding Bonds After This <u>Issue</u>	Authorized Unissued Bonds After <u>This Issue</u>
Long-Term Indebtedness (1)(2)(3)				
Within the General Debt Limit:				
Sewers & Drains	\$ 756,173	\$ 665,000	\$ 1,411,173	\$ 10,000
Land Acquisition	1,180,000	910,000	1,270,000	820,000
Schools	16,605,000	5,280,000	16,605,000	5,280,000
Other Building	10,000	-0-	10,000	-0-
Streets Sidewalks & Parking	484,000	820,000	484,000	820,000
Departmental Equipment	955,000	1,885,000	2,803,000	37,000
Architectural & Engineering Services ...	90,000	600,000	350,000	340,000
Athletic & Recreational Facilities	80,000	-0-	80,000	-0-
Other Inside General	20,000	-0-	20,000	-0-
Total Within the General Debt Limit	<u>\$ 20,180,173</u>	<u>\$ 10,160,000</u>	<u>\$ 23,033,173</u>	<u>\$ 7,307,000</u>
Outside the General Debt Limit:				
Sewers	\$ 2,132,295	\$ -0-	\$ 2,132,295	\$ -0-
Other Outside General	1,121,382	298,393	1,121,382	298,393
Water (4).....	1,865,000	-0-	1,865,000	-0-
Total Outside the General Debt Limit	<u>\$ 5,118,677</u>	<u>\$ 298,393</u>	<u>\$ 5,118,677</u>	<u>\$ 298,393</u>
Total Long-Term Indebtedness	<u>\$ 25,298,850</u>	<u>\$ 10,458,393</u>	<u>\$ 28,151,850</u>	<u>\$ 7,605,393</u>
	Outstanding <u>2/1/2017</u>		Outstanding After This <u>Issue</u>	<u>Maturity</u>
Short-Term Indebtedness				
Revenue Anticipation Notes	\$ -0-		\$ -0-	
Grant Anticipation Notes	-0-		-0-	
Bond Anticipation Notes	3,110,000 (5)		820,000	8/9/17
Total Short-Term Indebtedness	<u>\$ 3,110,000</u>		<u>\$ 820,000</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 \$119,162,520 and the Double General Debt Limit is \$238,325,040.

(3) \$17,004,538 has been exempted from the provisions of Proposition 2 1/2.

(4) Self-supporting.

(5) The Town will use \$1,743,000 in bond proceeds together with \$547,000 in available funds to retire these outstanding notes.

Five Years Outstanding Debt

	As of June 30				
	2016	2015	2014	2013	2012
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Sewers & Drains	\$ 804,447	\$ 882,634	\$ 558,448	\$ 627,654	\$ 603,318
Land Acquisition	1,180,000	1,310,000	1,445,000	1,580,000	303,000
Schools	17,915,000	20,945,000	16,760,000	18,185,000	19,490,000
Other Building	10,000	15,000	20,000	35,000	175,000
Streets Sidewalks & Parking	536,000	623,000	710,000	797,000	889,000
Departmental Equipment	1,055,000	1,355,000	1,190,000	1,460,000	1,381,000
Architectural & Engineering Services	90,000	140,000	20,000	40,000	60,000
Athletic & Recreational Facilities	95,000	115,000	135,000	155,000	135,000
Other Inside General	20,000	30,000	40,000	50,000	-0-
Total Within the General Debt Limit	<u>\$ 21,705,447</u>	<u>\$ 25,415,634</u>	<u>\$ 20,878,448</u>	<u>\$ 22,929,654</u>	<u>\$ 23,064,318</u>
Outside the General Debt Limit:					
Sewers	2,242,760	2,350,876	2,456,692	2,560,257	2,560,257
Other Outside General	1,227,157	1,332,904	1,228,583	1,324,232	1,399,324
Water	2,150,000	2,595,000	2,715,000	3,135,000	3,300,000
Total Outside the General Debt Limit	<u>\$ 5,619,917</u>	<u>\$ 6,278,780</u>	<u>\$ 6,400,275</u>	<u>\$ 7,019,489</u>	<u>\$ 7,259,581</u>
Total Long-Term Indebtedness	<u>\$ 27,325,364</u>	<u>\$ 31,694,413</u>	<u>\$ 27,278,722</u>	<u>\$ 29,949,143</u>	<u>\$ 30,323,899</u>
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes	760,812	145,500	322,734	100,000	129,105
Bond Anticipation Notes	2,784,000	1,775,000	7,880,000	125,000	1,325,000
Total Short-Term Indebtedness	<u>\$ 3,544,812</u>	<u>\$ 1,920,500</u>	<u>\$ 8,202,734</u>	<u>\$ 225,000</u>	<u>\$ 1,454,105</u>
Total Outstanding Indebtedness	<u>\$ 30,870,176</u>	<u>\$ 33,614,913</u>	<u>\$ 35,481,456</u>	<u>\$ 30,174,143</u>	<u>\$ 31,778,004</u>

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

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	2016	2015	2014	2013	2012
Amount (1)	\$ 27,325,364	\$ 31,694,413	\$ 27,278,722	\$ 29,949,143	\$ 30,323,899
Per Capita (2)	1,495.40	1,734.49	1,499.08	1,654.92	1,688.51
Percent of Assessed Valuation (3)	1.11 %	1.34 %	1.19 %	1.30 %	1.32 %
Percent of Equalized Valuation (4)	1.15	1.33	1.14	1.25	1.21
Per Capita as a percent of					
Personal Income (2) per capita	3.95	4.59	3.96	4.38	4.46

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

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

(3) Source: Board of Assessors - Assessed valuation as of the prior January 1.

(4) Source: Massachusetts Department of Revenue - Equalized valuation in effect for that fiscal year (equalized valuations are established for January 1 of each even-numbered year).

Principal Repayment Schedule

Fiscal Year	Outstanding 02/01/17(1)(2)(3)(4)		Total Debt Service	Principal This Issue	Total Princ. Including This Issue	Cumulative % Principal Retired
	Principal	Interest				
2017	\$ 745,000	\$ 377,191	\$ 1,122,191	\$ -0-	\$ 745,000	2.6 %
2018	2,644,033	812,471	3,456,504	418,000	3,062,033	13.5
2019	2,504,710	732,753	3,237,462	395,000	2,899,710	23.8
2020	2,357,855	644,778	3,002,633	385,000	2,742,855	33.6
2021	2,136,230	554,280	2,690,510	385,000	2,521,230	42.5
2022	2,063,511	470,034	2,533,545	355,000	2,418,511	51.1
2023	1,996,313	384,956	2,381,269	230,000	2,226,313	59.0
2024	1,878,558	307,913	2,186,472	225,000	2,103,558	66.5
2025	1,831,483	240,060	2,071,543	190,000	2,021,483	73.7
2026	1,794,585	177,301	1,971,886	180,000	1,974,585	80.7
2027	1,472,637	124,208	1,596,845	90,000	1,562,637	86.2
2028	700,754	92,807	793,561		700,754	88.7
2029	543,937	77,187	621,124		543,937	90.7
2030	512,188	65,119	577,307		512,188	92.5
2031	504,985	53,533	558,518		504,985	94.3
2032	493,378	41,106	534,484		493,378	96.0
2033	496,844	28,760	525,604		496,844	97.8
2034	310,861	17,937	328,798		310,861	98.9
2035	310,988	8,970	319,958		310,988	100.0
Total	\$ <u>25,298,850</u>	\$ <u>5,211,363</u>	\$ <u>30,510,213</u>	\$ <u>2,853,000</u>	\$ <u>28,151,850</u>	

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

(2) Principal totaling \$17,004,538 and interest totaling \$4,016,817 has been exempted from the provisions of Proposition 2 1/2.

(3) Principal totaling \$1,775,000 and interest totaling \$246,062 is self-supporting.

(4) Excludes Clean Water Trust subsidies.

Revenue Anticipation Borrowing

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

Overlapping Debt

In addition to direct debt, the Town is indirectly liable for overlapping governmental authorities and agencies (1). The following table sets forth the outstanding and authorized but unissued bonded debt of each authority or agency, Pembroke's percentage of this outstanding debt and the Town's fiscal year dollar assessment.

	Outstanding <u>6/30/16</u>	Authorized Unissued <u>6/30/16</u>	Estimated Share % <u>Pembroke</u>	Assessment for Operations & Debt Service <u>FY 2017</u>
Plymouth County (2).....	\$2,200,000	\$0	3.51 %	\$52,707
Massachusetts Bay Transportation Authority..	(3)	(3)	(3)	-0-

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

(2) Source: Plymouth County.

(3) Source: Massachusetts Bay Transportation Authority ("MBTA"). The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. As part of its fiscal year 2000 annual appropriations, Chapter 127 of the Acts of 1999 of the Commonwealth known as "Forward Funding Legislation," the Commonwealth repealed and restated the Prior Act effective July 1, 2001. As of July 1, 2001, the MBTA's 175 member communities are no longer responsible for overlapping debt and are solely responsible for their municipal assessment.

PROPERTY TAXATION

Levy. The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "*Tax Limitations*" below. As to the inclusion of debt service and final judgments, see "SECURITY AND REMEDIES" above.

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*" below) 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*" below).

Tax Levy Computation

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

	For Fiscal Year				
	2017	2016	2015	2014	2013
Gross Amount to be Raised:					
Appropriations	\$ 63,517,785	\$ 61,323,129	\$ 59,883,681	\$ 56,607,560	\$ 56,836,816
Other Local Expenditures	558,791	1,034,919	625,063	464,537	36,511
State & County Charges	710,220	615,571	653,431	604,639	510,218
Overlay Reserve	362,449	374,212	327,252	308,765	296,867
Total Gross Amount to be Raised	65,149,245	63,347,831	61,489,428	57,985,501	57,680,412
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	15,265,358	14,965,086	14,897,450	14,814,770	14,686,460
Estimated Receipts - Local	8,094,254	7,339,963	8,538,690	7,504,466	7,408,576
Available Funds Appropriated:					
Free Cash	1,705,269	649,000	1,376,572	492,581	625,143
Revenue Sharing	-0-	-0-	-0-	-0-	-0-
Other Available Funds	961,013	1,963,799	1,121,450	966,606	2,115,990
Free Cash & Other Revenue Used to Reduce the Tax Rate	537,347	1,013,328	585,068	529,066	249,092
Total Estimated Receipts & Revenue	26,563,241	25,931,176	26,519,230	24,307,489	25,085,261
Net Amount to be Raised (Tax Levy)	\$ <u>38,586,004</u>	\$ <u>37,416,655</u>	\$ <u>34,970,197</u>	\$ <u>33,678,012</u>	\$ <u>32,595,151</u>
Property Valuation	\$ <u>2,555,364,489</u>	\$ <u>2,451,943,308</u>	\$ <u>2,372,469,282</u>	\$ <u>2,292,580,802</u>	\$ <u>2,295,433,196</u>

Source: Massachusetts Department of Revenue.

Taxation to Meet Deficits. As noted elsewhere (see “*Abatements and Overlay*” below) 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.

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

Tax Limitations. Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

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

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

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

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

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

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

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

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

Tax Rates

The following shows the actual rates per \$1,000 of assessed valuation, and the full value rate as follows:

<u>Type of Property</u>	<u>For Fiscal Year</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential	\$15.10	\$15.26	\$14.74	\$14.69	\$14.20
Open Space	15.10	15.26	14.74	14.69	14.20
Commercial	15.10	15.26	14.74	14.69	14.20
Industrial	15.10	15.26	14.74	14.69	14.20
Personal	<u>15.10</u>	<u>15.26</u>	<u>14.74</u>	<u>14.69</u>	<u>14.20</u>
Average Tax Rate	<u>\$15.10</u>	<u>\$15.26</u>	<u>\$14.74</u>	<u>\$14.69</u>	<u>\$14.20</u>
Full Value Tax Rate(1)	\$16.19	\$15.70	\$14.67	\$14.06	\$13.60

Source: Massachusetts Department of Revenue.

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

Analysis of Property Tax Levies and Levy Limits

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

	<u>For Fiscal Year</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary Levy Limit (1)	\$ 63,884,112	\$ 61,298,583	\$ 59,311,732	\$ 57,314,520	\$ 57,385,830
Prior Fiscal Year Levy Limit	\$ 35,286,383	\$ 32,826,684	\$ 31,724,622	\$ 30,689,474	\$ 29,657,201
2.5% Levy Growth	882,171	820,667	793,116	767,237	741,430
New Growth (2)	379,588	339,032	308,946	267,911	290,843
Overrides	-0-	1,300,000	-0-	-0-	-0-
Growth Levy Limit	36,548,599	35,286,383	32,826,684	31,724,622	30,689,474
Debt Exclusions	2,048,178	2,145,936	2,160,236	1,975,666	2,155,931
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit	<u>\$ 38,596,777</u>	<u>\$ 37,432,319</u>	<u>\$ 34,986,920</u>	<u>\$ 33,700,288</u>	<u>\$ 32,845,405</u>
Tax Levy	<u>38,586,004</u>	<u>37,416,655</u>	<u>34,970,197</u>	<u>33,678,012</u>	<u>32,595,151</u>
Unused Levy Capacity (3)	<u>\$ 10,773</u>	<u>\$ 15,664</u>	<u>\$ 16,723</u>	<u>\$ 22,276</u>	<u>\$ 250,254</u>
Unused Primary Levy Capacity (4)	\$ 27,335,513	\$ 26,012,200	\$ 26,485,048	\$ 25,589,898	\$ 26,696,356

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal.

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

Tax Rate and Valuation. 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 his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the “equalized value”. See “DEBT LIMITS” above.

Assessed Valuations

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

	For Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Real Property(1)	\$ 2,518,447,619	\$ 2,416,930,568	\$ 2,339,630,252	\$ 2,262,199,592	\$ 2,262,102,196
Personal Property(1)	<u>36,916,870</u>	<u>35,012,740</u>	<u>32,839,030</u>	<u>30,381,210</u>	<u>33,331,000</u>
Total	<u>\$ 2,555,364,489</u>	<u>\$ 2,451,943,308</u>	<u>\$ 2,372,469,282</u>	<u>\$ 2,292,580,802</u>	<u>\$ 2,295,433,196</u>
Equalized Value(2)	\$ 2,383,250,400	\$ 2,383,250,400	\$ 2,383,250,400	\$ 2,396,013,400	\$ 2,396,013,400
Percent of Total Assessed to Equalized Valuation	107.2%	102.9%	99.5%	95.7%	95.8%

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

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

Classification

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

<u>Type of Property</u>	Fiscal 2017		Fiscal 2016		Fiscal 2015	
	Assessed <u>Valuation</u>	% of Total <u>Assessed Valuation</u>	Assessed <u>Valuation</u>	% of Total <u>Assessed Valuation</u>	Assessed <u>Valuation</u>	% of Total <u>Assessed Valuation</u>
Residential	\$ 2,230,759,287	87.3%	\$ 2,134,587,446	87.1%	\$ 2,058,231,793	86.8%
Open Space	-0-	0.0	-0-	0.0	-0-	0.0
Commercial	213,509,908	8.4	208,398,694	8.5	208,149,943	8.8
Industrial	74,178,424	2.9	73,944,428	3.0	73,248,516	3.1
Personal	<u>36,916,870</u>	<u>1.4</u>	<u>35,012,740</u>	<u>1.4</u>	<u>32,839,030</u>	<u>1.4</u>
Total	\$ <u>2,555,364,489</u>	<u>100.0%</u>	\$ <u>2,451,943,308</u>	<u>100.0%</u>	\$ <u>2,372,469,282</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

Tax Levies and Collections

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

The following table reflects the total tax levy, the reserve for abatements, the net tax levy, and the amount of levy collected during the fiscal year payable and the total collected against each fiscal year as of January 15, 2017.

	For Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Tax Levy	\$ 38,586,004	\$ 37,416,655	\$ 34,970,197	\$ 33,678,012	\$ 32,595,151
Overlay Reserve for Abatements	<u>362,449</u>	<u>374,212</u>	<u>327,252</u>	<u>308,765</u>	<u>296,867</u>
Net Tax Levy(1)	\$ <u>38,223,555</u>	\$ <u>37,042,442</u>	\$ <u>34,642,945</u>	\$ <u>33,369,247</u>	\$ <u>32,298,284</u>
Amount Collected					
During Fiscal Year Payable(2) ...	\$ N/A	\$ 36,719,537	\$ 34,255,597	\$ 32,964,296	\$ 31,888,803
Percent of Net Tax Levy	N/A	% 99.1	% 98.9	% 98.8	% 98.7
Amount Collected thru 1/15/17....	\$ 18,914,415	\$ 37,031,280	\$ 34,585,924	\$ 33,230,231	\$ 32,168,786
Percent of Net Tax Levy	49.48	% 100.0	% 99.8	% 99.6	% 99.6

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

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

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for 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. Cities and towns are authorized to sell delinquent property tax receivables either individually or in bulk

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.

Overlay

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

	For Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Levy,,,,	\$ 38,586,004	\$ 37,416,655	\$ 34,970,197	\$ 33,678,012	\$ 32,595,151
Overlay Reserve for Abatements..	362,449	374,212	327,252	308,765	296,867
Percent of Tax Levy	0.9 %	1.0 %	0.9 %	0.9 %	0.9 %
Abatements Granted:					
During Fiscal Year of Levy	\$ N/A	\$ 109,189	\$ 155,728	\$ 171,786	\$ 173,330
Through 01/15/17.....	110,045	190,189	181,678	195,881	179,449

Source: Massachusetts Department of Revenue.

Taxes Outstanding

The following table sets forth the amount of overdue property taxes, tax titles and possessions outstanding at the end of the last five fiscal years.

	For Fiscal Year Ending June 30,				
	<u>2017(2)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Aggregate(1)	\$373,541	\$392,628	\$395,184	\$406,109	\$379,319
For Current Year(1)	356,412	382,819	394,746	406,565	380,439
Tax Titles	297,570	304,875	337,121	282,050	380,066
Tax Possessions	303,284	282,903	271,276	413,655	743,974

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

(2) Through 12/15/16 for fiscal 2017.

Largest Taxpayers

The following is a list of the ten largest taxpayers for fiscal year 2017.

<u>Name</u>	<u>Nature of Business</u>	2017 Assessed <u>Valuation</u>	2017 Amount <u>of Tax</u>
Behringer Havard Pembroke LLC	Apartments	\$38,411,700	\$580,017
RK Pembroke LLC	Retail	33,840,600	510,993
Corporate Park Co., Inc.	Industrial/Retail	18,375,800	277,475
R.K. LHC, LLC	Retail	11,650,400	175,921
Pembroke Plaza LTD. Partnership	Retail	9,962,600	150,435
Baystate Gas Company	Personal Property	9,768,530	147,505
RK Rainbow LLC	Retail	9,598,880	144,943
UHS of Westwood Pembroke, Inc.	Hospital	9,392,700	141,830
Massachusetts Electric Co.	Personal Property	8,850,400	133,641
Verizion New England Incorporated	Personal Property	<u>5,216,300</u>	<u>78,766</u>
Total:		<u>\$155,067,910</u>	<u>\$2,341,526</u>

Community Preservation Act

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

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*Tax Limitations*” under “PROPERTY TAXATION” 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 voters of the Town elected to implement the Community Preservation Act with a 1% surcharge on all real estate tax bills beginning in fiscal year 2008. The balance in the fund as of January 1, 2017 is \$634,125.

ADDITIONAL INFORMATION

Investments

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

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

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

Budget and Appropriation Process

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

Water and sewer department expenditures are generally included in the budgets adopted by town meetings. The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be

set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See “Property Taxation” above).

Operating Budget Trends

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

	Appropriated Fiscal Year <u>2017</u>	Appropriated Fiscal Year <u>2016</u>	Appropriated Fiscal Year <u>2015</u>
General Government.....	\$1,896,137	\$1,838,488	\$1,990,671
Public Safety.....	6,634,463	6,554,493	5,870,393
Public Works.....	1,383,059	1,322,353	1,228,459
Health and Sanitation.....	1,795,239	1,724,589	1,724,589
Park & Recreation.....	195,686	203,916	195,827
Library.....	652,253	637,540	609,046
School.....	31,332,029	30,832,029	28,971,029
Veteran's Benefits.....	238,179	242,287	238,564
Debt Service.....	3,466,368	3,304,906	3,100,632
Insurance.....	700,000	660,000	600,000
Employee Benefits.....	10,969,348	10,144,944	9,835,546
Water.....	1,914,714	1,767,528	2,113,231
Unclassified.....	<u>1,288,217</u>	<u>1,350,131</u>	<u>681,736</u>
Totals:	<u><u>\$62,465,692</u></u>	<u><u>\$60,583,204</u></u>	<u><u>\$57,159,723</u></u>

Capital Improvements Program

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

<u>Department</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fire	\$ 500,000	\$ 8,000,000	\$ 360,000
Police	10,500	12,000,000	205,000
Town Hall	28,000	50,000	50,000
Library	-0-	40,000	40,000
Town Landing	-0-	30,000	-0-
Community Center(1)	-0-	10,000,000	-0-
DPW	750,000	9,000,000	-0-
Recreation	806,342	-0-	-0-
Board of Health	18,000	-0-	-0-
School	<u>1,200,000</u>	<u>90,000</u>	<u>100,000</u>
Totals:	<u><u>\$ 3,312,842</u></u>	<u><u>\$ 39,210,000</u></u>	<u><u>\$ 755,000</u></u>

(1) The Town’s Community Center Study Committee is contemplating either renovating or demolishing the existing building and constructing a new building in fiscal 2019.

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.

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 is a member of the Plymouth County Retirement System. The annual contributions of the Town to the contributory retirement system for the following fiscal years are set forth below.

	<u>For Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributory.....	\$3,135,629	\$3,026,915	\$2,776,769	\$2,575,371	\$2,420,435

As of January 1, 2015, Pembroke’s total estimated past service liability in the contributory retirement system was \$61,489,525, and its assets were \$35,871,256, leaving an estimated unfunded past service liability of \$25,618,269. The Town has adopted legislation providing for the funding of its pension liabilities by June 30, 2030.

As of January 1, 2015, the actuarial accrued liability of Plymouth County Contributory Retirement System was \$1,417,490,110; its assets were \$826,923,777, leaving an unfunded actuarial accrued liability of \$590,566,333. The liability assumes an investment rate of return of 8% and Pembroke’s share of the liability is 4.34%. Plymouth County’s funding schedule may be found on page 12 of the report located at <http://www.mass.gov/perac/plymouthcty/plymouthctyval13/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 or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

	<u>For Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total.....	\$3,135,629	\$1,774,324	\$1,738,587	\$1,687,223	\$1,474,912

The Governmental Accounting Standards Board (“GASB”) Statement Nos. 43 and 45 require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding such benefits, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Although cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims, Massachusetts General Laws do not currently provide cities and towns with general legal authority to establish a trust fund for the purpose of pre-funding this liability in the same manner as traditional pension benefits.

The Town was required to implement GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town performed an actuarial valuation of its non-pension, post-employment benefit liability and as of July 1, 2014, the Town had accrued liability (medical and life) of approximately \$55,140,866. Under GASB No. 45, the Town has \$2,216,080 of benefits accruing during the year. The net OPEB obligation as of June 30, 2015 was \$23,934,653, with and annual OPEB cost of \$5,267,197. The ARC (Annual Required Contribution) at June 30, 2015 is \$4,774,840. This assumes a discount rate of 4.00%. The Town has established an OPEB trust fund, which has a balance of \$344,747 as of November 30, 2016.

Contractual Obligations

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

The Town of Pembroke is obligated under the following agreements:

<u>Purpose of Contract</u>	<u>Approximate Annual Contract Payment</u>
EZ Disposal – for pickup and transporting of solid waste to New Bedford Waste	\$831,386 for fiscal 2017
New Bedford Waste Services – for the disposal of solid waste from the EZ Disposal Plant for the year 2017. Rates are subject to change every July 1.	\$320,000 for fiscal 2017

Motor Vehicle Excise

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

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

	For Fiscal Year Ending June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Motor Vehicle Excise Taxes	\$2,784,249	\$2,586,191	\$2,300,016	\$2,177,325	\$1,995,510

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

Local Meals Tax

An additional source of revenue is the local option meals excise tax. The tax 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 revenues from this tax were \$175,556 through December 31, for fiscal 2017, \$328,179 for fiscal 2016 and \$279,164 for fiscal 2015.

State and Federal Aid

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

particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature.

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

The following reflects state aid receipts in each of the following fiscal years.

	For Fiscal Year				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total State Aid.....	\$15,265,358	\$14,965,086	\$14,897,450	\$14,826,028	\$14,686,460

The Town has not received any federal aid within the last five fiscal years.

Free Cash

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

The following table reflects the Free Cash for the following fiscal years:

	For Fiscal Year Beginning July 1				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Free Cash	\$2,252,832	\$2,274,830	\$1,875,872	\$1,276,198	\$953,877

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

Unassigned General Fund Balance and Stabilization Fund Balance

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

The following table reflects the Unassigned General Fund Balance and the Stabilization Fund Balance for the following fiscal years.

	For Fiscal Year Ending June 30				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Unassigned General Fund Balance (1).....	\$2,636,505	\$2,652,210	\$2,238,873	\$1,611,508	\$ 1,548,391
Stabilization Fund Balance	1,317,952	1,282,598	1,244,902	1,238,551	1,229,822
Silver Lake (2).....	524,483	677,310	1,418,726	1,384,699	1,024,028

(1) The Town.

(2) The Special Stabilization fund was established in 2012 to provide for the liabilities that resulted from the separation from the Silver Lake Regional School District.

Financial Statements

Comparative balance sheets and revenues and expenditures have been extracted from the Town’s financial statements for the fiscal years ending June 30, 2013 through 2015. The Town’s financial statements for the period ending June 30, 2015 have been prepared by Roselli, Clark & Associates, Certified Public Accountants and are included as Appendix B.

Litigation

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

TOWN OF PEMBROKE,
MASSACHUSETTS

By: /s/ Kathleen McCarthy
Town Treasurer

Dated: January 26, 2017

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**TOWN OF PEMBROKE, MASSACHUSETTS
COMPARATIVE BALANCE SHEETS**

General Accounts as of June 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:			
Cash and investments	\$ 8,234,925	\$ 9,094,624	\$ 5,274,151
Receivables:			
Property taxes	407,647	429,528	399,155
Motor vehicle excise	-	-	319,468
Liens, possessions, deferrals	-	-	1,437,482
Municipal user fees	-	-	477,260
Due from other governments	29,559	31,338	45,929
Advances/Due from other funds	-	-	9,381
Tax Foreclosure	271,276	-	-
Other	959,623	1,159,126	-
Total Assets	<u>\$ 9,903,030</u>	<u>\$ 10,714,616</u>	<u>\$ 7,962,826</u>
Liabilities:			
Accounts payable	\$ 757,532	\$ 1,461,798	\$ 347,787
Payroll payable	2,094,975	2,796,924	1,004,247
Advances/Due to other funds	-	-	-
Deferred revenue	-	-	2,238,457
Other liabilities	25,481	-	-
Total Liabilities	<u>\$ 2,877,988</u>	<u>\$ 4,258,722</u>	<u>\$ 3,590,491</u>
Deferred Inflows of Resources			
Unavailable revenue - Property taxes	96,905	209,237	-
Unavailable revenue - other	1,230,899	1,159,126	-
	<u>1,327,804</u>	<u>1,368,363</u>	<u>-</u>
Fund Equity (Deficiency):			
Restricted	279,568	-	-
Committed	337,485	354,786	-
Assigned	1,170,653	672,053	2,365,920
Unassigned	3,909,532	4,060,692	2,006,415
Total Fund Equity	<u>5,697,238</u>	<u>5,087,531</u>	<u>4,372,335</u>
Total Liabilities and Fund Equity	<u>\$ 9,903,030</u>	<u>\$ 10,714,616</u>	<u>\$ 7,962,826</u>

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

General Accounts as of June 30

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Property taxes	\$ 35,137,501	\$ 32,827,736	\$ 32,200,842
Excise taxes and other	2,865,355	2,203,127	2,024,647
Fines and forfeitures	27,621	19,413	54,858
Licenses, permits and fees	435,213	396,125	432,805
Other departmental	483,230	432,954	231,936
Penalties, fines and interest	200,043	248,895	311,172
Investment income	78,058	52,050	47,964
Intergovernmental	18,240,250	17,680,775	18,056,054
Total Revenues	<u>57,467,271</u>	<u>53,861,075</u>	<u>53,360,278</u>
Expenditures:			
General government	2,597,476	1,826,128	1,806,795
Public safety	6,492,897	5,867,256	5,447,604
Education	28,793,395	27,512,171	26,637,724
Public works	2,360,673	1,598,846	1,417,115
Health and human services	565,032	431,997	420,672
Culture and recreation	898,583	807,691	774,675
Pension and health insurance	12,621,429	12,256,586	12,067,547
Debt service	2,749,079	2,932,331	3,617,955
Insurance	-	620,575	430,345
State and county assessments	645,116	447,216	358,607
Total Expenditures	<u>57,723,680</u>	<u>54,300,797</u>	<u>52,979,039</u>
Excess of Revenues Over (Under) Expenditures	(256,409)	(439,722)	381,239
Other Financing Sources (Uses):			
Bond premium	343,040	-	-
Transfers In	642,667	865,854	567,091
Transfers Out	(119,591)	(412,066)	(1,107,622)
Total Other Financing Sources	<u>866,116</u>	<u>453,788</u>	<u>(540,531)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	609,707	14,066	(159,292)
Beginning Fund Balance	5,087,531 (1)	4,358,269	4,517,561
Ending Fund Balance	<u>\$ 5,697,238</u>	<u>\$ 4,372,335</u>	<u>\$ 4,358,269</u>

(1) As restated - see note in financial statement

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TOWN OF PEMBROKE, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
Year Ended June 30, 2015

TOWN OF PEMBROKE, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board of Selectmen
Town of Pembroke, 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 Pembroke, Massachusetts, (the Town) as of and for the year ended June 30, 2015, 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

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 as of June 30, 2015, and the respective

changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note III. G., the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Town's proportionate share of net pension liability, the Town's contributions to pension plan, the Commonwealth's collective share of net pension liability – Massachusetts Teacher's Retirement System, the funding progress and contribution funding for other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, 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, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli Clark and Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
February 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town, we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015.

Financial Highlights

- As disclosed in the Note III to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, during the fiscal year 2015. The impact to the beginning balances as a result of this implementation was to reduce Governmental activities by over \$23.3 million, Business-type activities by almost \$0.7 million; and the Water Enterprise fund by almost \$0.8 million.
- The Town also reduced beginning Governmental activities by a net amount of less than \$100,000 to reflect the impacts of capital lease obligations, the related capital asset and related accumulated depreciation that were not recorded in the prior year, and further reduced Business-type activities and the Solid Waste enterprise fund for by approximately \$700,000 to reflect landfill post closure care costs that were not previously recorded.
- The impact of the prior period adjustments discussed above may be reviewed in more detail in Note IV.
- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$107.1 million (*total net position*).
- The government's total net position decreased by almost \$0.9 million (less than 1.0%). This decrease in net position was due to almost a \$0.5 million (less than 1.0%) decrease in net position in governmental activities combined with a decrease of over \$0.3 million (less than 1%) in business-type activities as results were in line with expectations.
- The Town's unassigned fund balance reported in the general fund was approximately \$3.9 million, (6.8% of 2015 general fund expenditures). Total fund balance in the general fund was approximately \$5.7 million (9.9% of 2015 general fund expenditures). The Town reported \$1.1 million in Community Preservation; \$1.3 million in General Capital Projects; \$0.4 million from School Roof Capital Projects and \$5.1 million from Combined Nonmajor funds.
- The Town's total debt increased by over \$4.4 million during the fiscal year. Amounts outstanding at year-end were \$31.7 million; \$25.1 million in Governmental activities and \$6.6 million in Business-type activities. Detail of this decrease is discussed further in this discussion.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 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 the Town's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position* (formerly referred to as *net assets*). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial

position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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.)

The government-wide financial statements consist of two classifications; (1) those whose activities are principally supported by taxes and intergovernmental revenue (*governmental activities*); and 2) those whose activities are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, debt service, fringe benefits and culture and recreation.

The business-type activities of the Town are comprised of the water and solid waste enterprise funds.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund

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.

The Town maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Preservation Fund, General Capital Projects Fund, School Roof Capital Projects Fund, and the aggregate Nonmajor Governmental funds are presented as major funds.

The Town adopts an annual appropriated budget for its general fund and its enterprise fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds – The Town maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and solid waste enterprise funds.

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 statement 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 the 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 concerning the Town’s proportionate share of net pension liability, contributions to pension plan, information regarding the Town’s special funding situation for teacher contributions to pensions and funding progress and contribution funding of the Town’s other postemployment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets exceeded liabilities by nearly \$107.1 million at the close of the most recent fiscal year. Condensed net position data is presented as follows:

	Governmental Activities		Business-type Activities		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Assets</u>						
Current and other assets	\$ 21,298,134	\$ 27,454,741	\$ 3,173,676	\$ 3,239,511	\$ 24,471,810	\$ 30,694,252
Capital assets, net	146,906,109	141,213,964	25,435,829	25,974,795	172,341,938	167,188,759
Total assets	168,204,243	168,668,705	28,609,505	29,214,306	196,813,748	197,883,011
Deferred Outflows of Resources	1,132,456	-	36,829	-	1,169,285	-
<u>Liabilities</u>						
Long-term liabilities	75,633,451	42,073,787	8,783,457	7,345,972	84,416,908	49,419,759
Other liabilities	5,777,347	14,764,258	651,245	842,148	6,428,592	15,606,406
Total liabilities	81,410,798	56,838,045	9,434,702	8,188,120	90,845,500	65,026,165
Deferred Inflows of Resources					-	-
<u>Net Position</u>						
Net Investment in capital assets	122,138,068	120,720,322	18,719,443	18,934,685	140,857,511	139,655,007
Restricted	8,276,985	5,786,447	-	-	8,276,985	5,786,447
Unrestricted	(42,489,152)	(14,676,109)	492,189	2,091,501	(41,996,963)	(12,584,608)
Net position	\$ 87,925,901	\$ 111,830,660	\$ 19,211,632	\$ 21,026,186	\$ 107,137,533	\$ 132,856,846

By far, the largest portion (approximately \$140.9 million) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, 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, approximately \$8.3 million, of the Town's net position represents resources that are subject to external restriction on how they may be used. *Unrestricted net position* reflects the remainder of net position; a deficit of approximately \$42.0 million. Governmental unrestricted net position is in a deficit position of approximately \$42.5 million due to the recognition of other postemployment benefits of approximately \$23.4 million since the implementation of Governmental Accounting Standards Board Statement ("GASB") No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2009. In addition, the implementation of GASB 68 in 2015, as discussed previously, resulted in the recognition of over \$24.5 million in net pension liability. These were offset by unrestricted net position of the business-type activities of approximately \$0.4 million. Condensed change in net position data is presented as follows:

	<u>Governmental activities</u>		<u>Business activities</u>		<u>Total</u>	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 3,709,129	\$ 3,674,386	\$ 3,674,563	\$ 3,991,397	\$ 7,383,692	\$ 7,665,783
Operating grants and	18,826,708	18,995,182	7,742	2,745	18,834,450	18,997,927
Capital grants and contributions	4,557,151	1,343,514	-	-	4,557,151	1,343,514
General revenues:						
Property taxes	35,222,666	34,066,481	-	-	35,222,666	34,066,481
Intergovernmental	1,495,786	1,585,955	-	-	1,495,786	1,585,955
Other	3,621,347	2,527,756	-	-	3,621,347	2,527,756
Total revenues	67,432,787	62,193,274	3,682,305	3,994,142	71,115,092	66,187,416
<u>Expenses</u>						
General government	3,960,257	3,598,498	-	-	3,960,257	3,598,498
Public safety	9,327,780	9,332,534	-	-	9,327,780	9,332,534
Education	46,530,949	47,972,836	-	-	46,530,949	47,972,836
Public works	4,967,787	4,415,564	-	-	4,967,787	4,415,564
Health and human services	830,166	883,585	-	-	830,166	883,585
Culture and recreation	1,475,748	1,399,899	-	-	1,475,748	1,399,899
Debt service	857,334	884,587	-	-	857,334	884,587
Water	-	-	2,581,296	2,292,997	2,581,296	2,292,997
Solid waste	-	-	1,446,700	1,826,237	1,446,700	1,826,237
Total expenses	67,950,021	68,487,503	4,027,996	4,119,234	71,978,017	72,606,737
Increase (decrease) in net position before transfers	(517,234)	(6,294,229)	(345,691)	(125,092)	(862,925)	(6,419,321)
Transfers	-	264,561	-	(264,561)	-	-
Increase (decrease) in net position	(517,234)	(6,029,668)	(345,691)	(389,653)	(862,925)	(6,419,321)
Net position, beginning of year	111,830,660	117,860,328	21,026,186	21,415,839	132,856,846	139,276,167
Prior period adjustment	(23,387,525)	-	(1,468,863)	-	(24,856,388)	-
Net position, end of year	\$ 87,925,901	\$ 111,830,660	\$ 19,211,632	\$ 21,026,186	\$ 107,137,533	\$ 132,856,846

Governmental Activities – The governmental activities decreased net position by approximately \$0.5 million while the business-type activities decreased net position by approximately \$0.3 million.

Fiscal Year 2015 Program Revenues and Expenses – Governmental Activities

Revenue fluctuations:

- Capital grants and contributions were greater than the prior year by over \$3.0 million due to reimbursements for eligible school roof construction received from the Commonwealth.
- Property taxes were greater than the prior year by approximately \$1.2 million due to the assessment of statutorily allowed 2 ½% increases from prior year and new growth.
- All other revenue categories were consistent with prior year and expectations.

Expenditure fluctuations:

- School expenses were less than the prior year due to a change in the methodology of recording the special funding payment for teacher pensions received from the Commonwealth in accordance with GASB 68.
- All other expense categories were consistent with prior year and expectations.

The net position decrease in business-type activities was not significant (less than 1%) as actual results were in line with expectations.

Fund-wide Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unrestricted 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 close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance of approximately \$13.7 million, an increase of over \$2.7 million from the prior year.

This was primarily due to the timing of bond proceeds and related expenditures associated with those proceeds and better than expected motor vehicle excise revenue. After factoring these aside, revenue and expenditure relationships were in line with expectations.

The Town's unassigned fund balance reported in the general fund was approximately \$3.9 million, (6.8% of 2015 general fund expenditures). Total fund balance in the general fund was approximately \$5.7 million (9.9% of 2015 general fund expenditures). The Town reported \$1.1 million in Community Preservation; \$1.3 million in General Capital Projects; \$0.4 million from School Roof Capital Projects and \$5.1 million from Combined Nonmajor funds.

Proprietary funds – The Town's proprietary fund is made up of the Water and Solid Waste Enterprise Fund, which provides the same type of information found in the government-wide financial statements under business-type activities, but in more detail.

Fiduciary Fund – The Town’s fiduciary fund is comprised of agency funds in which the Town collects balances and disburses funds on behalf of private parties and an Other Postemployment Benefit Trust, which was established two years ago and currently has seed money of just over \$100,000 set aside to begin the process of subsidizing future OPEB costs.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were insignificant (less than 1%).

Major budget to actual differences on the revenue side included motor vehicle and other excise revenue, which exceeded budget by approximately \$0.5 million as previously discussed.

Further detail of budget to actual comparisons may be reviewed as part of the Required Supplementary Information following the footnotes to the report.

Capital Asset and Debt Administration

Capital Assets – The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to approximately \$172.3 million, net of accumulated depreciation. This is an approximate \$3.9 million increase from the prior year’s balance as additions (primarily school roofs) exceeded current year depreciation expense. This investment in capital assets includes land, buildings and improvements, infrastructure, machinery, equipment, and software.

Additional information on the Town’s capital assets can be found in Note II subsection C.

Long-term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$31.7 million. The entire amount comprises debt backed by the full faith and credit of the government. The Town’s total debt increased during the fiscal year due to the following net activity:

Retirement of debt:	
Governmental Activities	\$ (1,905,689)
Business-Type Activities	(722,013)
	<u>\$ (2,627,702)</u>
Issuance of bonds and notes:	
Governmental Activities	\$ 6,505,000
Business-Type Activities	538,393
	<u>\$ 7,043,393</u>
Net change	<u>\$ 4,415,691</u>

The Town is currently assigned an “Aa3” rating from Moody’s Investors Services for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5.0 % of its total assessed valuation. The current debt limitation for the Town is approximately \$122.6 million, which is significantly in excess of the Town’s outstanding general obligation debt classified as inside the debt limit.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. The debt service from such arrangements is assessed annually to the Town.

Bond anticipation note payable balances outstanding at year-end amount to approximately \$2.3 million and relate mainly to school roofs and water infrastructure.

Additional information on the Town's short-term and long-term debt can be found in Note II under subsections E and F.

Economic Factors and Next Year's Budgets and Rates

- Unemployment for the area has improved dramatically as current rates are now approaching historic bests from 2005 and earlier.
- The Town's real estate tax base is made up predominantly of residential taxes, which comprise over 87.1% of the Town's real estate tax base. The Town also relies heavily on its commercial and industrial real estate tax base, which in aggregate comprise 11.5% of the Town's real estate tax base. The remainder of the Town's tax base, 1.4% is made up of personal property taxes. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than two and one-half percent (2 ½%) of the previous year tax levy.
- Consistent with both State and National indices, the Town's housing market has recently been in an upward trend which has begun to stabilize. Housing prices are approaching and in some situations exceeding all-time highs set in 2004/2005.
- The Town has responded well to the recent economic challenges. Reductions in local revenue, primarily interest income and other reductions in revenue have caused the Town to aggressively seek other revenue producing initiatives in order to maintain appropriations in ways that preserved local service levels.
- All of the above items were considered when the Town developed its budget for fiscal year 2016. The budget was adopted in June 2015 and its tax rate was certified December 2, 2015.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall 100 Center Street, Pembroke, Massachusetts 02359.

TOWN OF PEMBROKE, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	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	\$ 3,574,850	\$ 563,472	\$ 70,111	\$ -	\$ (2,941,267)		\$ (2,941,267)
Public safety	9,327,780	1,053,010	119,967	317,112	(7,837,691)		(7,837,691)
Education	46,530,949	1,417,717	18,218,167	3,259,784	(23,635,281)		(23,635,281)
Public works	4,967,787	280,180	85,077	980,255	(3,622,275)		(3,622,275)
Health and human services	830,166	168,826	215,904	-	(445,436)		(445,436)
Culture and recreation	1,475,748	225,924	42,847	-	(1,206,977)		(1,206,977)
Community preservation	385,407	-	74,635	-	(310,772)		(310,772)
Debt service	857,334	-	-	-	(857,334)		(857,334)
Total Governmental Activities	67,950,021	3,709,129	18,826,708	4,557,151	(40,857,033)		(40,857,033)
Business-Type Activities:							
Water	2,581,296	2,336,936	2,313	-		\$ (242,047)	(242,047)
Solid waste	1,446,700	1,337,627	5,429	-		(103,644)	(103,644)
Total Primary Government	\$ 71,978,017	\$ 7,383,692	\$ 18,834,450	\$ 4,557,151	(40,857,033)	(345,691)	(41,202,724)
General Revenues:							
Real and personal property taxes					35,222,666	-	35,222,666
Grants and contributions not restricted to specific programs					1,495,786	-	1,495,786
Motor vehicle and other excise					2,991,936	-	2,991,936
Penalties and interest on taxes					200,043	-	200,043
Unrestricted investment income					429,368	-	429,368
Transfers (net)					-	-	-
Total general revenues and transfers					40,339,799	-	40,339,799
Change in Net Position					(517,234)	(345,691)	(862,925)
Net Position:							
Beginning of year, as restated (See Note IV)					88,443,135	19,557,323	108,000,458
End of year					\$ 87,925,901	\$ 19,211,632	\$ 107,137,533

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

TOWN OF PEMBROKE, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Community Preservation	General Capital Projects	School Roof Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 6,280,566	\$ 1,222,652	\$ 1,667,791	\$ 2,193,949	\$ 5,053,415	\$ 16,418,373
Investments	1,954,359	-	-	-	-	1,954,359
Receivables, net of allowance:						
Property taxes	407,647	4,721	-	-	-	412,368
Other	959,623	-	-	-	913,921	1,873,544
Due from Commonwealth	29,559	-	-	-	338,655	368,214
Tax Foreclosures	271,276	-	-	-	-	271,276
Total Assets	<u>9,903,030</u>	<u>1,227,373</u>	<u>1,667,791</u>	<u>2,193,949</u>	<u>6,305,991</u>	<u>21,298,134</u>
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 9,903,030</u>	<u>\$ 1,227,373</u>	<u>\$ 1,667,791</u>	<u>\$ 2,193,949</u>	<u>\$ 6,305,991</u>	<u>\$ 21,298,134</u>
Liabilities:						
Warrants and accounts payable	\$ 757,532	\$ 150,318	\$ 6,754	\$ 93,580	\$ 174,873	\$ 1,183,057
Accrued payroll and withholdings	2,094,975	-	-	-	-	2,094,975
Other liabilities	25,481	205	-	-	-	25,686
Retainage payable	-	-	-	194,165	-	194,165
Bond anticipation notes payable	-	-	355,000	1,420,000	145,500	1,920,500
Total Liabilities	<u>2,877,988</u>	<u>150,523</u>	<u>361,754</u>	<u>1,707,745</u>	<u>320,373</u>	<u>5,418,383</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	96,905	4,721	-	-	-	101,626
Unavailable revenue - other	1,230,899	-	-	-	913,921	2,144,820
Total Deferred Inflows of Resources	<u>1,327,804</u>	<u>4,721</u>	<u>-</u>	<u>-</u>	<u>913,921</u>	<u>2,246,446</u>
Fund Balances:						
Non-Spendable	-	-	-	-	486,132	486,132
Restricted	279,568	1,072,129	1,358,824	486,204	4,593,900	7,790,625
Committed	337,485	-	-	-	-	337,485
Assigned	1,170,653	-	-	-	-	1,170,653
Unassigned	3,909,532	-	(52,787)	-	(8,335)	3,848,410
Total Fund Balances	<u>5,697,238</u>	<u>1,072,129</u>	<u>1,306,037</u>	<u>486,204</u>	<u>5,071,697</u>	<u>13,633,305</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,903,030</u>	<u>\$ 1,227,373</u>	<u>\$ 1,667,791</u>	<u>\$ 2,193,949</u>	<u>\$ 6,305,991</u>	<u>\$ 21,298,134</u>

See accompanying notes to basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,418,373	\$ 1,809,358	\$ 18,227,731
Investments	1,954,359	-	1,954,359
Receivables, net of allowance for uncollectibles:			
Property taxes	412,368	-	412,368
User fees	-	1,139,245	1,139,245
Departmental and other	1,873,544	-	1,873,544
Intergovernmental	368,214	225,073	593,287
Tax Foreclosures	271,276	-	271,276
Capital assets, not being depreciated	18,794,836	5,388,485	24,183,321
Capital assets, net of depreciation	128,111,273	20,047,344	148,158,617
Total Assets	168,204,243	28,609,505	196,813,748
Deferred Outflows of Financial Resources	1,132,456	36,829	1,169,285
Liabilities			
Current liabilities:			
Warrants and accounts payable	1,183,057	250,620	1,433,677
Accrued payroll	2,094,975	-	2,094,975
Accrued interest expense	358,964	60,625	419,589
Retainage	194,165	-	194,165
Unearned revenue	25,686	-	25,686
Other liabilities	-	-	-
Temporary notes payable	1,920,500	340,000	2,260,500
Noncurrent liabilities:			
Due in one year or less	2,777,784	789,019	3,566,803
Due in more than one year	72,855,667	7,994,438	80,850,105
Total Liabilities	81,410,798	9,434,702	90,845,500
Deferred Inflows of Resources	-	-	-
Net Position			
Net Investment in capital assets	122,138,068	18,719,443	140,857,511
Restricted for:			
Nonexpendable permanent funds	486,132	-	486,132
Expendable permanent funds	532,088	-	532,088
Revolving funds	2,563,915	-	2,563,915
Capital projects	1,845,028	-	1,845,028
Community preservation	1,072,357	-	1,072,357
Federal and state grants	790,456	-	790,456
Other purposes	987,009	-	987,009
Unrestricted	(42,489,152)	492,189	(41,996,963)
Total Net Position	\$ 87,925,901	\$ 19,211,632	\$ 107,137,533

TOWN OF PEMBROKE, MASSACHUSETTS

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

Total Governmental Fund Balances	\$ 13,633,305
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	146,906,109
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred inflows on funds.	2,246,446
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds: Net difference between projected and actual earnings on pension plan investments	1,132,456
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in governmental fund interest is not reported until due.	(358,964)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds: Bonds and notes payable Compensated absences Capital lease obligations Net pension liability Other postemployment benefits	(25,092,953) (1,776,224) (907,991) (24,489,623) <u>(23,366,660)</u>
Net Position of Governmental Activities	<u>\$ 87,925,901</u>

See accompanying notes to basic financial statements

TOWN OF PEMBROKE, MASSACHUSETTS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	General Fund	Community Preservation	General Capital Projects	School Roof Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Real estate and personal property taxes, net	\$ 35,137,501	\$ 252,077	\$ -	\$ -	\$ -	\$ 35,389,578
Intergovernmental	18,240,250	74,635	-	3,259,784	2,963,709	24,538,378
Motor vehicle and other excises	2,865,355	-	-	-	-	2,865,355
License and permits	435,213	-	-	-	8,881	444,094
Departmental and other revenue	483,230	-	-	-	2,607,044	3,090,274
Penalties and interest on taxes	200,043	-	-	-	-	200,043
Fines and forfeitures	27,621	-	-	-	-	27,621
Investment income	78,058	6,084	-	-	2,186	86,328
Contributions and donations	-	-	-	-	182,350	182,350
Betterments	-	-	-	-	167,924	167,924
Total Revenues	<u>57,467,271</u>	<u>332,796</u>	<u>-</u>	<u>3,259,784</u>	<u>5,932,094</u>	<u>66,991,945</u>
Expenditures:						
Current:						
General government	2,597,476	-	2,735	-	98,557	2,698,768
Public safety	6,492,897	-	-	-	610,287	7,103,184
Education	28,793,395	-	28,995	7,341,210	3,044,862	39,208,462
Public works	2,360,673	-	340,981	-	1,176,814	3,878,468
Health and human services	565,032	-	-	-	48,218	613,250
Culture and recreation	898,583	-	5,915	-	285,878	1,190,376
Community preservation	-	385,407	-	-	-	385,407
Pensions and other fringes	12,621,429	-	-	-	-	12,621,429
State and county tax assessments	645,116	-	-	-	-	645,116
Debt service:						
Principal maturities	1,905,689	-	-	-	-	1,905,689
Interest	843,390	-	-	-	-	843,390
Total Expenditures	<u>57,723,680</u>	<u>385,407</u>	<u>378,626</u>	<u>7,341,210</u>	<u>5,264,616</u>	<u>71,093,539</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(256,409)</u>	<u>(52,611)</u>	<u>(378,626)</u>	<u>(4,081,426)</u>	<u>667,478</u>	<u>(4,101,594)</u>
Other Financing Sources (Uses):						
Long-term debt issuances	-	-	725,000	5,580,000	200,000	6,505,000
Net premiums from issuance of debt	343,040	-	-	-	-	343,040
Transfers in	642,667	-	25,000	-	194,591	862,258
Transfers out	(119,591)	(100,000)	(73,660)	-	(569,007)	(862,258)
Total Other Financing Sources (Uses)	<u>866,116</u>	<u>(100,000)</u>	<u>676,340</u>	<u>5,580,000</u>	<u>(174,416)</u>	<u>6,848,040</u>
Net Change in Fund Balances	609,707	(152,611)	297,714	1,498,574	493,062	2,746,446
Fund Balances - Beginning of year, as restated (see Note IV)	5,087,531	1,224,740	1,008,323	(1,012,370)	4,578,635	10,886,859
Fund Balances - Ending	<u>\$ 5,697,238</u>	<u>\$ 1,072,129</u>	<u>\$ 1,306,037</u>	<u>\$ 486,204</u>	<u>\$ 5,071,697</u>	<u>\$ 13,633,305</u>

See accompanying notes to basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

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

JUNE 30, 2015

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 2,746,446**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount, represents the net amount of depreciation expense in excess of capital outlays. The amounts are represented here as reconciling items:

Capital outlays	\$ 9,479,556	
Depreciation expense	(4,786,877)	
		4,692,679
Net effect of reporting capital assets		

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Issuance of debt	(6,505,000)	
Repayments of bonds and notes	1,905,689	
		(4,599,311)
Net effect of reporting long-term debt		

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the differences derived from unavailable revenue between the current and prior year.

97,802

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued interest	(13,944)	
Compensated absences	(88,012)	
Capital leases	160,208	
Net pension benefits	(38,375)	
Other postemployment benefits	(3,474,727)	
		(3,454,850)
Net effect of reporting long-term liabilities		

Change in Net Position of Governmental Activities **\$ (517,234)**

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

TOWN OF PEMBROKE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Business-type Activities - Enterprise Funds		
	Water	Solid Waste	Totals
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,399,977	\$ 409,381	\$ 1,809,358
Receivables:			
User charges and fees, net of allowance	973,798	165,447	1,139,245
Intergovernmental	211,565	-	211,565
Total current assets	<u>2,585,340</u>	<u>574,828</u>	<u>3,160,168</u>
Noncurrent assets:			
Receivables:			
Intergovernmental	13,508	-	13,508
Capital assets, not being depreciated	5,388,485	-	5,388,485
Capital assets, net of depreciation	17,102,787	2,944,557	20,047,344
Total noncurrent assets	<u>22,504,780</u>	<u>2,944,557</u>	<u>25,449,337</u>
Total Assets	<u>25,090,120</u>	<u>3,519,385</u>	<u>28,609,505</u>
Deferred Outflows of Resources			
Deferred pensions	36,829	-	36,829
Total Deferred Outflows of Resources	<u>36,829</u>	<u>-</u>	<u>36,829</u>
Liabilities:			
Current liabilities:			
Warrants payable and other liabilities	64,710	185,910	250,620
Accrued interest expense	35,792	24,833	60,625
Bond anticipation notes payable	340,000	-	340,000
Bond and note indebtedness	549,532	182,096	731,628
Landfill post-closure care	-	24,500	24,500
Compensated absences	32,891	-	32,891
Total current liabilities	<u>1,022,925</u>	<u>417,339</u>	<u>1,440,264</u>
Noncurrent liabilities:			
Bond and note indebtedness	3,452,658	2,417,173	5,869,831
Compensated absences	98,674	-	98,674
Net pension liability	796,440	-	796,440
Landfill post-closure care	-	661,500	661,500
Other postemployment benefits	567,993	-	567,993
Total noncurrent liabilities	<u>4,915,765</u>	<u>3,078,673</u>	<u>7,994,438</u>
Total Liabilities	<u>5,938,690</u>	<u>3,496,012</u>	<u>9,434,702</u>
Net Position:			
Invested in capital assets	18,374,155	345,288	18,719,443
Unrestricted	814,104	(321,915)	492,189
Total Net Position	<u>\$ 19,188,259</u>	<u>\$ 23,373</u>	<u>\$ 19,211,632</u>

See accompanying notes to basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds		
	Water	Solid Waste	Totals
Operating Revenues:			
User fees	\$ 2,168,318	\$ 1,295,904	\$ 3,464,222
Other operating	168,618	41,723	210,341
Total Operating Revenues	<u>2,336,936</u>	<u>1,337,627</u>	<u>3,674,563</u>
Operating Expenses:			
Operating costs	1,667,428	1,298,363	2,965,791
Depreciation	788,565	90,740	879,305
Total Operating Expenses	<u>2,455,993</u>	<u>1,389,103</u>	<u>3,845,096</u>
Total Operating Income	<u>(119,057)</u>	<u>(51,476)</u>	<u>(170,533)</u>
Nonoperating Income (Expenses):			
Intergovernmental	2,313	5,429	7,742
Interest expense	<u>(125,303)</u>	<u>(57,597)</u>	<u>(182,900)</u>
Total Nonoperating Revenues (Expenses), net	<u>(122,990)</u>	<u>(52,168)</u>	<u>(175,158)</u>
Income (Loss)	<u>(242,047)</u>	<u>(103,644)</u>	<u>(345,691)</u>
Change in Net Position	(242,047)	(103,644)	(345,691)
Net Position - Beginning, as restated (See Note IV)	<u>19,430,306</u>	<u>127,017</u>	<u>19,557,323</u>
Net Position - Ending	<u><u>\$ 19,188,259</u></u>	<u><u>\$ 23,373</u></u>	<u><u>\$ 19,211,632</u></u>

See accompanying notes to basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Business-type Activities - Enterprise Funds		
	Water	Solid Waste	Totals
Cash Flows from Operating Activities:			
Receipts from users	\$ 2,317,726	\$ 1,406,464	\$ 3,724,190
Payments to vendors	(672,361)	(1,078,576)	(1,750,937)
Payments to employees	(848,633)	(154,757)	(1,003,390)
Net Cash Provided by Operating Activities	<u>796,732</u>	<u>173,131</u>	<u>969,863</u>
Cash Flows from Noncapital Related Financing Activities:			
Intergovernmental subsidies	<u>110,602</u>	<u>5,429</u>	<u>116,031</u>
Net Cash Used for Noncapital Related Financing Activities	<u>110,602</u>	<u>5,429</u>	<u>116,031</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(340,339)	-	(340,339)
Proceeds from notes payable	340,000	-	340,000
Payments of notes payable	(490,000)	(98,393)	(588,393)
Interest expense	(126,314)	(56,727)	(183,041)
Proceeds from bonds and notes	440,000	98,393	538,393
Principal payments on bonds and notes	(521,197)	(200,816)	(722,013)
Net Cash Used for Capital and Related Financing Activities	<u>(697,850)</u>	<u>(257,543)</u>	<u>(955,393)</u>
Cash Flows from Investing Activities:			
Investment income	-	-	-
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash and Cash Equivalents	209,484	(78,983)	130,501
Cash and Cash Equivalents:			
Beginning of year	<u>1,190,493</u>	<u>488,364</u>	<u>1,678,857</u>
End of year	<u>\$ 1,399,977</u>	<u>\$ 409,381</u>	<u>\$ 1,809,358</u>
	1,399,977	409,381	1,809,358
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:			
Operating income (loss)	\$ (119,057)	\$ (51,476)	\$ (170,533)
Depreciation	788,565	90,740	879,305
Changes in assets and liabilities:			
Receivables (net)	(19,210)	68,837	49,627
Liabilities (net)	146,434	65,030	211,464
Net Cash Provided From Operating Activities	<u>\$ 796,732</u>	<u>\$ 173,131</u>	<u>\$ 969,863</u>

TOWN OF PEMBROKE, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015**

	<u>Other Postemployment Benefits Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ -	\$ 482,383
Investments (at fair value)	134,655	-
Receivables, net	-	-
	<u>134,655</u>	<u>482,383</u>
Total Assets		
Liabilities:		
Warrant and accounts payable	-	10,054
Planning board deposits	-	121,132
Other liabilities	-	351,197
	<u>-</u>	<u>482,383</u>
Total Liabilities		
Net Position:		
Held in trust for:		
Other postemployment benefits	<u>134,655</u>	<u>-</u>
Total Net Position	<u><u>\$ 134,655</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015**

	<u>Other Postemployment Benefits Trust Fund</u>
Additions	
Contributions	\$ 40,000
Investment income	<u>4,796</u>
Total Additions	<u>44,796</u>
Deductions	
Life and health insurance premiums paid for retirees	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	44,796
Net Position - Beginning of the Year as restated	<u>89,859</u>
Net Position - End of Year	<u><u>\$ 134,655</u></u>

See accompanying notes to basic financial statements.

TOWN OF PEMBROKE, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Pembroke, Massachusetts have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity

The Town of Pembroke is located in Plymouth County and was incorporated as a town in 1712. The governing structure utilizes an open town meeting form, with an elected five-member Board of Selectmen, and an appointed Town Administrator who performs and oversees the daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, disposal of rubbish and recycling, public education in grades K-12, water services, street maintenance, parks and recreational facilities, library and elderly services and inspectional services. The water services, funded almost entirely with user charges, are provided via connections installed and maintained by the Town directly.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund 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 and its component units. *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.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) Total assets and deferred outflows of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and

- 2) The total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, 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 fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within 60 days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

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.

Community Preservation Fund – is used to accumulate funds for historical preservation and conserving open space.

Capital Projects Fund – is used to account for the funding and expenditures of specific capital outlay activities

School Roof Capital Project Fund – is used to account for restoration, repairs and maintenance, of the Town’s school roofs.

Nonmajor Governmental Funds - consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Funds - are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Solid Waste Fund – is used to account for user fees collected to finance the operations of the Town’s solid waste disposal activities.

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

The government reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to accumulate funds for future payments of other postemployment benefits for retirees such as health and life insurance.

Agency Fund – is used to account for assets held in a purely custodial capacity. The Town’s agency funds consist primarily of student activities and escrow and other deposits. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

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

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

User fees consist of water and solid waste fees. Water user fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date.

Real estate taxes, user fees and special assessments may be secured through a lien process and are considered 100% collectible. Accordingly, a provision for uncollectible balances for these receivables is not reported. All personal property tax and excise tax receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old. Departmental and other receivables primarily consist of ambulance receivables and are shown net of an allowance for uncollectible balances based on historical trends and specific account analysis.

Inventories and Prepaid Items– Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, utility mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the propriety fund financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line-method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	5 years

Vehicles	5 years
Infrastructure	40 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds and permanent funds is retained in the respective funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick-pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured.

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

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies

for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, betterments, and other. These amounts are deferred and recognized as in inflow of resources in the period that the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

Nonexpendable permanent funds represents the endowment portion of donor restricted trusts that support governmental programs.

Expendable permanent funds represent amounts held in trust whereby expenditures are subject to various trust agreements.

Revolving funds represent amounts that are restricted by state law for expenses that are directly related to the revenues that are being collected.

Capital projects represent remaining balances from bond proceeds that are restricted by state law to specific capital purposes and borrowing terms.

Community preservation represents amounts that are restricted by state law for the purpose of acquiring or developing open space and recreational facilities, historic resources and affordable housing.

Federal and State grants represent amounts that have restrictions placed on them from federal and state granting agencies.

Other purposes represent assets that are restricted by donors and state laws for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily to the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of then endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external

parties) that those resources be used only for the specific purposes stipulated in the legislation.

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, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

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

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The Town maintains a stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,959,908 at June 30, 2015, and is reported as unassigned fund balance in the General Fund.

Encumbrances - The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Administrator as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$1,170,653 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

The following table reflects the Town's fund equity categorizations:

	General	Community Preservation	Capital Projects	School Roofs Construction	Nonmajor Governmental Funds	Total
Non-Spendable:						
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ -	\$ 486,132	\$ 486,132
Restricted:						
General government	-	-	-	-	580,842	580,842
Public safety	-	-	-	-	831,965	831,965
Education	-	-	1,110,966	486,204	1,889,796	3,486,966
Public works	-	-	-	-	665,061	665,061
Health and human services	-	-	-	-	89,408	89,408
Culture and recreation	-	1,072,129	-	-	536,828	1,608,957
Debt service	279,568	-	-	-	-	279,568
Committed:						
General government	244,595	-	37,100	-	-	281,695
Public safety	24,196	-	-	-	-	24,196
Education	-	-	35,141	-	-	35,141
Public works	17,858	-	175,617	-	-	193,475
Health and human services	15,750	-	-	-	-	15,750
Culture and recreation	35,086	-	-	-	-	35,086
Assigned:						
General government	71,934	-	-	-	-	71,934
Public safety	21,131	-	-	-	-	21,131
Education	829,282	-	-	-	-	829,282
Public works	1,330	-	-	-	-	1,330
Health and human services	9,850	-	-	-	-	9,850
Culture and recreation	11,259	-	-	-	-	11,259
Pension and other fringes	20,575	-	-	-	-	20,575
Debt service	205,292	-	-	-	-	205,292
Unassigned	3,909,532	-	(52,787)	-	(8,335)	3,848,410
Totals	<u>\$ 5,697,238</u>	<u>\$ 1,072,129</u>	<u>\$ 1,306,037</u>	<u>\$ 486,204</u>	<u>\$ 5,071,697</u>	<u>\$ 13,633,305</u>

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year, the Town exceeded appropriations for snow and ice removal costs in the amount \$1,013,328; this deficit was raised on December 9, 2015 when the Town set its tax rate for 2016.

The Town also incurred deficits in the Special Revenue Funds totaling \$8,335 and Capital Project Funds totaling \$52,787. These deficits will be funded through available grant receipts or bond proceeds in a subsequent fiscal year.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents". The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool ("the Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, the carrying amount of the Town's deposits was \$18,710,114 and the bank balance was \$19,299,877. Of the Town's bank balance, \$10,646,776 was covered by federal depository insurance and the remainder \$8,653,101 was fully collateralized.

Custodial Credit Risk: Investments - In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All securities not held directly by the Town will be held in the Town's name and tax identification number by a third party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town does not have a formal investment policy related to custodial credit risk.

Interest Rate Risk - The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk - The Town does not place a limit on the amount that may be invested in any one issuer.

Credit Risk - The Town has not adopted a formal policy related to credit risk. The Town's investment in MMDT is unrated; other securities with maturities have their credit ratings disclosed below.

The following is a schedule of classification and maturity for monetary investments held by the Town as of June 30, 2015:

Investment Type	Fair Value	Time Until Maturity (Years)	
		Less Than 1	1-5
U.S. government Obligations	\$ 1,187,980	\$ -	\$ 1,187,980
Corporate fixed income securities	406,707	95,034	311,672
External investment pool (MDDT)	127,292	127,292	-
Certificates of deposit	689,393	484,663	204,730
Total Investments with Maturities	2,411,372	\$ 706,989	\$ 1,704,382

Other Investments:

Equity securities	70,271
Mutual funds	341,946
Money market mutual funds	82,110
Total Investments - All	\$ 2,905,699

The following is a schedule of quality ratings for rated investments held by the Town as of June 30, 2015:

Quality Ratings (S&P)	Investments with Maturities				Fair Value
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	External Pool (MMDT)	
Aaa	\$ 1,187,980	\$ -	\$ -	\$ -	\$ 1,187,980
A1	-	181,141	-	-	181,141
Baa1	-	225,566	-	-	225,566
Not Rated	-	-	689,393	127,292	816,685
Totals	\$ 1,187,980	\$ 406,707	\$ 689,393	\$ 127,292	\$ 2,411,372

B. Receivables

Receivables as of year-end for the Town's individual major and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 407,647	\$ -	\$ 407,647
Tax liens	337,121	-	337,121
Motor vehicle and other excise taxes	339,349	-	339,349
Betterments	741,248	-	741,248
Departmental and other	767,583	(307,036)	460,547
Intergovernmental	368,214	-	368,214
Total Governmental Receivables	\$ 2,961,162	\$ (307,036)	\$ 2,654,126

Receivables as of year-end for Town's proprietary funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Water user charges	\$ 973,797	\$ -	\$ 973,797
Solid Waste user charges	165,447	-	165,447
Intergovernmental	225,074	-	225,074
Total	<u>\$ 1,364,318</u>	<u>\$ -</u>	<u>\$ 1,364,318</u>

MWPAT Loan Subsidies – The Town has entered into loan agreements with the MWPAT. It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$16,624, which is allocated to Water Funds. In addition, as of June 30, 2015 the Town had yet to receive, from undrawn loan proceeds an amount of \$208,450; however, since the Town is legally obligated for the total amount of the debt, the gross total amount to be received has been recorded as debt in the accompanying basic financial statements and the amount not yet received has been recorded as a receivable in the accompanying basic financial statements. The total of these two is reflected above under intergovernmental.

C. Interfund Payables, Receivables and Transfers

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

Transfers Out	Transfers In				Total
	General Fund	Community Preservation	General Capital	Nonmajor	
General Fund	\$ -	\$ -	\$ 73,660	\$ 569,007	\$ 642,667 (1)
General Capital	25,000	-	-	-	25,000 (2)
Nonmajor	94,591	100,000	-	-	194,591 (3)
Total	<u>\$ 119,591</u>	<u>\$ 100,000</u>	<u>\$ 73,660</u>	<u>\$ 569,007</u>	<u>\$ 862,258</u>

(1) Transfer to general to fund capital and operating budgets.

(2) Transfers to general capital to fund capital projects.

(3) Transfers to nonmajor to supplement projects.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 9,107,382	\$ -	\$ -	\$ 9,107,382
Construction in progress	2,148,079	7,539,375	-	9,687,454
Total capital assets not being depreciated	<u>11,255,461</u>	<u>7,539,375</u>	<u>-</u>	<u>18,794,836</u>
Capital assets being depreciated:				
Buildings and improvements	103,468,720	138,724	-	103,607,444
Infrastructure	82,211,092	1,180,079	-	83,391,171
Vehicles and equipment	15,417,824	621,378	-	16,039,202
Total capital assets being depreciated	<u>201,097,636</u>	<u>1,940,181</u>	<u>-</u>	<u>203,037,817</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,577,376)	(2,468,076)	-	(35,045,452)
Infrastructure	(25,222,133)	(1,660,076)	-	(26,882,209)
Vehicles and equipment	(12,340,157)	(658,726)	-	(12,998,883)
Total accumulated depreciation	<u>(70,139,666)</u>	<u>(4,786,878)</u>	<u>-</u>	<u>(74,926,544)</u>
Total capital assets being depreciated, net	<u>130,957,970</u>	<u>(2,846,697)</u>	<u>-</u>	<u>128,111,273</u>
Governmental activities capital assets, net	<u>\$ 142,213,431</u>	<u>\$ 4,692,678</u>	<u>\$ -</u>	<u>\$ 146,906,109</u>
<i>Business-Type Activities - All:</i>				
Capital assets not being depreciated:				
Land	\$ 5,388,485	\$ -	\$ -	\$ 5,388,485
Total capital assets not being depreciated	<u>5,388,485</u>	<u>-</u>	<u>-</u>	<u>5,388,485</u>
Capital assets being depreciated:				
Buildings and improvements	453,396	104,440	-	557,836
Infrastructure	38,998,187	68,276	-	39,066,463
Vehicles and equipment	3,438,356	167,624	-	3,605,980
Total capital assets being depreciated	<u>42,889,939</u>	<u>340,340</u>	<u>-</u>	<u>43,230,279</u>
Less accumulated depreciation for:				
Buildings and improvements	(116,843)	(13,076)	-	(129,919)
Infrastructure	(19,455,609)	(711,107)	-	(20,166,716)
Vehicles and equipment	(2,731,177)	(155,123)	-	(2,886,300)
Total accumulated depreciation	<u>(22,303,629)</u>	<u>(879,306)</u>	<u>-</u>	<u>(23,182,935)</u>
Total capital assets being depreciated, net	<u>20,586,310</u>	<u>(538,966)</u>	<u>-</u>	<u>20,047,344</u>
Business-type activities capital assets, net	<u>\$ 25,974,795</u>	<u>\$ (538,966)</u>	<u>\$ -</u>	<u>\$ 25,435,829</u>

Capital asset activity for Business-type activities by type, the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities - Water:</i>				
Capital assets not being depreciated:				
Land	\$ 5,388,485	\$ -	\$ -	\$ 5,388,485
Total capital assets not being depreciated	<u>5,388,485</u>	<u>-</u>	<u>-</u>	<u>5,388,485</u>
Capital assets being depreciated:				
Buildings and improvements	-	104,439	-	104,439
Infrastructure	36,357,930	68,276	-	36,426,206
Vehicles and equipment	3,172,356	167,624	-	3,339,980
Total capital assets being depreciated	<u>39,530,286</u>	<u>340,339</u>	<u>-</u>	<u>39,870,625</u>
Less accumulated depreciation for:				
Buildings and improvements	-	(1,740)	-	(1,740)
Infrastructure	(19,323,596)	(658,302)	-	(19,981,898)
Vehicles and equipment	(2,655,677)	(128,523)	-	(2,784,200)
Total accumulated depreciation	<u>(21,979,273)</u>	<u>(788,565)</u>	<u>-</u>	<u>(22,767,838)</u>
Total capital assets being depreciated, net	<u>17,551,013</u>	<u>(448,226)</u>	<u>-</u>	<u>17,102,787</u>
Water capital assets, net	<u>\$ 22,939,498</u>	<u>\$ (448,226)</u>	<u>\$ -</u>	<u>\$ 22,491,272</u>

Business-Type Activities - Solid Waste:

Capital assets being depreciated:				
Buildings and improvements	453,396	-	-	453,396
Infrastructure	2,640,257	-	-	2,640,257
Vehicles and equipment	266,000	-	-	266,000
Total capital assets being depreciated	<u>3,359,653</u>	<u>-</u>	<u>-</u>	<u>3,359,653</u>
Less accumulated depreciation for:				
Buildings and improvements	(116,843)	(11,335)	-	(128,178)
Infrastructure	(132,013)	(52,805)	-	(184,818)
Vehicles and equipment	(75,500)	(26,600)	-	(102,100)
Total accumulated depreciation	<u>(324,356)</u>	<u>(90,740)</u>	<u>-</u>	<u>(415,096)</u>
Total capital assets being depreciated, net	<u>3,035,297</u>	<u>(90,740)</u>	<u>-</u>	<u>2,944,557</u>
Solid waste capital assets, net	<u>\$ 3,035,297</u>	<u>\$ (90,740)</u>	<u>\$ -</u>	<u>\$ 2,944,557</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental Activities:</i>		<i>Business-Type Activities:</i>	
General government	\$ 30,150	Water	\$ 788,565
Public safety	367,342	Solid waste	90,740
Education	2,543,847	Total Business-Type Activities	<u>\$ 879,305</u>
Public works	1,764,049		
Health and human services	4,251		
Culture and recreation	77,239		
Total Governmental Activities	<u>\$ 4,786,878</u>		

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue (RANS) or tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2015, are payable as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Additions	Retirements	Ending Balance
BAN - 1	0.65%	08/30/14	\$ 125,000	\$ -	\$ (125,000)	\$ -
BAN - 2	0.65%	08/30/14	290,000	-	(290,000)	-
BAN - 3	0.50%	08/30/14	7,215,000	-	(7,215,000)	-
BAN - 4	0.55%	08/29/14	100,000	-	(100,000)	-
BAN - 5	0.55%	12/15/14	-	7,855,000	(7,855,000)	-
BAN - 6	0.45%	04/01/15	-	7,855,000	(7,855,000)	-
BAN - 7	0.50%	10/01/15	-	1,775,000	-	1,775,000
SAAN - 1	0.55%	07/29/14	322,734	-	(322,734)	-
SAAN - 2	0.55%	09/05/15	-	145,500	-	145,500
MWPAT Interim (T5-97-1199-G)	0.00%	02/01/15	200,000	-	(200,000)	-
Total Governmental Notes			<u>8,252,734</u>	<u>17,630,500</u>	<u>(23,962,734)</u>	<u>1,920,500</u>
MWPAT Interim (CW-10-39-A)	0.13%	12/31/14	98,393	-	(98,393)	-
BAN - 4	0.55%	08/29/14	150,000	-	(150,000)	-
MWPAT Interim (CW-12-15)	0.13%	12/31/14	340,000	-	-	340,000
Total Business-Type Notes			<u>588,393</u>	<u>-</u>	<u>(248,393)</u>	<u>340,000</u>
Total Temporary Notes Payable			<u>\$ 8,841,127</u>	<u>\$17,630,500</u>	<u>\$(24,211,127)</u>	<u>\$ 2,260,500</u>

Temporary notes outstanding represent funding for roadwork, school roofs and water infrastructure.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

State law permits a town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5.0 percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a town may

authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit”.

The following reflects the current Year activity in the long-term liability accounts

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
Bond and note indebtedness	\$20,493,642	\$ 6,505,000	\$ (1,905,689)	\$ 25,092,953	\$ 2,222,421
Capital leases	a 1,068,199	-	(160,208)	907,991	111,307
Compensated absences	1,688,212	510,065	(422,053)	1,776,224	444,056
Net pension liability	a 23,318,792	2,532,629	(1,361,798)	24,489,623	-
Other postemployment benefits	19,891,933	5,157,353	(1,682,626)	23,366,660	-
Total Governmental Activities	\$66,460,778	\$ 14,705,047	\$ (5,532,374)	\$ 75,633,451	\$ 2,777,784
Business-type Activities: Water					
Bond and note indebtedness	\$ 4,083,387	\$ 440,000	\$ (521,197)	\$ 4,002,190	\$ 549,532
Compensated absences	98,147	57,955	(24,537)	131,565	32,891
Net pension liability	a 758,363	82,365	(44,288)	796,440	-
Other postemployment benefits	462,746	109,844	(4,597)	567,993	-
Total Business-type Activities: Water	5,402,643	690,164	(594,619)	5,498,188	582,423
Business-type Activities: Solid Waste					
Bond and note indebtedness	2,701,692	98,393	(200,816)	2,599,269	182,096
Landfill postclosure	a 710,500	-	(24,500)	686,000	24,500
Total Business-type Activities: Sewer	3,412,192	98,393	(225,316)	3,285,269	206,596
Total Business-type Activities	\$ 8,814,835	\$ 788,557	\$ (819,935)	\$ 8,783,457	\$ 789,019
Total Long-term Obligations	\$75,275,613	\$ 15,493,604	\$ (6,352,309)	\$ 84,416,908	\$ 3,566,803

a Beginning balances in each of these long-term obligations were restated; see Note IV

The governmental activities liability will be liquidated from the general fund. The business-type liabilities will be liquidated by the water and solid waste enterprise funds.

MWPAT Loan Subsidies – The Town has entered into multiple loan agreements with the MWPAT. It is expected that the Town will be subsidized by the MWPAT on a periodic basis for principal and interest in the amount of \$22,754 until the maturity of these agreements.

Title V Loans – The Town also participates in the Community Septic Loan Title IV Program which is administered by the MWPAT. The funds from this program will offer financing to homeowners with septic tank needs. As a result of this participation the Town is contingently liable for \$1,232,903 in long-term notes. Of which, it is expected that the Town will be subsidized by MWPAT on a periodic basis for all interest cost. Since the Town is legally obligated for the total amount of the debt, such amounts have been recorded in the accompanying basic financial statements.

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

Bond and Note Debt Issued - The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2015:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<i>Governmental Activities</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 19,350,060	\$ 6,305,000	\$ (1,810,010)	\$ 23,845,050
General Obligation Refunding Bonds	2.00%	35,000	-	(20,000)	15,000
MA Water Pollution Abatement Trust Notes	0.00%	1,108,582	200,000	(75,679)	1,232,903
Total Governmental Activities		<u>\$ 20,493,642</u>	<u>\$ 6,505,000</u>	<u>\$ (1,905,689)</u>	<u>\$ 25,092,953</u>
<i>Business-Type Activities - Water</i>					
General Obligation Bonds	2.00 - 5.00%	\$ 3,879,940	\$ 440,000	\$ (444,990)	\$ 3,874,950
General Obligation Refunding Bonds	2.00%	130,000	-	(65,000)	65,000
MA Water Pollution Abatement Trust Notes	4 - 5.75%	73,447	-	(11,207)	62,240
Total Business-type Activities: Water		<u>4,083,387</u>	<u>440,000</u>	<u>(521,197)</u>	<u>4,002,190</u>
<i>Business-Type Activities - Solid Waste</i>					
General Obligation Bonds	2.50 - 5.00%	245,000	-	(95,000)	150,000
MA Water Pollution Abatement Trust Notes	2.00%	2,456,692	98,393	(105,816)	2,449,269
Total Business-type Activities: Solid Waste		<u>2,701,692</u>	<u>98,393</u>	<u>(200,816)</u>	<u>2,599,269</u>
Total Business-Type Activities		<u>\$ 6,785,079</u>	<u>\$ 538,393</u>	<u>\$ (722,013)</u>	<u>\$ 6,601,459</u>
Total Bond and Note Debt		<u>\$ 27,278,721</u>	<u>\$ 7,043,393</u>	<u>\$ (2,627,702)</u>	<u>\$ 31,694,412</u>

At June 30, 2015 the Town had the following authorized and unissued debt:

Project	Amount
<i>Governmental Activities:</i>	
Fire Equipment	\$ 270,000
Police Equipment	25,000
DPW Equipment	180,000
Mill Street Culvert	10,000
Land Acquisition	25,000
School Roofs	4,780,000
Total Governmental Activities	<u>\$ 5,290,000</u>
Total Authorized and Unissued Debt	<u>\$ 5,290,000</u>

Future Debt Payoff - Future maturities of long-term debt consist of the following:

Governmental Activities - Total Bond and Note Indebtedness

Year Ending	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
June 30							
2016	\$ 2,222,421	\$ -	\$ 2,222,421	\$ 919,196	\$ (10,152)	\$ 909,044	\$ 3,131,465
2017	2,172,450	-	2,172,450	844,756	(8,854)	835,902	3,008,352
2018	2,142,480	-	2,142,480	770,477	(7,555)	762,922	2,905,402
2019	2,002,510	-	2,002,510	693,824	(6,271)	687,553	2,690,063
2020	1,973,058	-	1,973,058	616,830	(4,986)	611,844	2,584,902
2021-2025	8,960,957	-	8,960,957	1,881,345	(8,702)	1,872,643	10,833,600
2026-2030	4,053,309	-	4,053,309	428,537	-	428,537	4,481,846
2031-2035	1,565,768	-	1,565,768	129,300	-	129,300	1,695,068
Total	<u>\$ 25,092,953</u>	<u>\$ -</u>	<u>\$ 25,092,953</u>	<u>\$ 6,284,265</u>	<u>\$ (46,520)</u>	<u>\$ 6,237,745</u>	<u>\$ 31,330,698</u>

Business-type Activities: Water - Bond and Note Indebtedness

Year Ending	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
June 30							
2016	\$ 549,532	\$ (3,116)	\$ 546,416	119,527	(1,971)	\$ 117,556	\$ 663,972
2017	474,531	(3,201)	471,330	103,438	(1,612)	101,826	573,156
2018	474,532	(3,282)	471,250	88,328	(1,309)	87,019	558,269
2019	477,635	(3,404)	474,231	72,727	(982)	71,745	545,976
2020	362,635	(3,621)	359,014	58,412	(256)	58,156	417,170
2021-2025	1,028,325	-	1,028,325	182,113	-	182,113	1,210,438
2026-2030	570,000	-	570,000	41,656	-	41,656	611,656
2031-2035	65,000	-	65,000	5,400	-	5,400	70,400
Total	<u>\$ 4,002,190</u>	<u>\$ (16,624)</u>	<u>\$ 3,985,566</u>	<u>\$ 671,601</u>	<u>\$ (6,130)</u>	<u>\$ 665,471</u>	<u>\$ 4,651,037</u>

Business-type Activities: Solid Waste - Bond and Note Indebtedness

Year Ending	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
June 30							
2016	182,096	\$ -	\$ 182,096	\$ 52,249	\$ -	\$ 52,249	\$ 234,345
2017	134,532	-	134,532	48,639	-	48,639	183,171
2018	137,021	-	137,021	45,524	-	45,524	182,545
2019	139,564	-	139,564	42,359	-	42,359	181,923
2020	142,162	-	142,162	39,043	-	39,043	181,205
2021-2025	651,814	-	651,814	154,590	-	154,590	806,404
2026-2030	725,792	-	725,792	85,800	-	85,800	811,592
2031-2035	486,288	-	486,288	15,604	-	15,604	501,892
Total	<u>\$ 2,599,269</u>	<u>\$ -</u>	<u>\$ 2,599,269</u>	<u>\$ 483,808</u>	<u>\$ -</u>	<u>\$ 483,808</u>	<u>\$ 3,083,077</u>

Business-type Activities - Total Bond and Note Indebtedness

Year Ending	Principal			Interest			Total
	Balance	Subsidy	Net	Balance	Subsidy	Net	
June 30							
2016	\$ 731,628	\$ (3,116)	\$ 728,512	\$ 171,776	\$ (1,971)	\$ 169,805	\$ 898,317
2017	609,063	(3,201)	605,862	152,077	(1,612)	150,465	756,327
2018	611,553	(3,282)	608,271	133,852	(1,309)	132,543	740,814
2019	617,199	(3,404)	613,795	115,086	(982)	114,104	727,899
2020	504,797	(3,621)	501,176	97,455	(256)	97,199	598,375
2021-2025	1,680,139	-	1,680,139	336,703	-	336,703	2,016,842
2026-2030	1,295,792	-	1,295,792	127,456	-	127,456	1,423,248
2031-2035	551,288	-	551,288	21,004	-	21,004	572,292
Total	<u>\$ 6,601,459</u>	<u>\$ (16,624)</u>	<u>\$ 6,584,835</u>	<u>\$ 1,155,409</u>	<u>\$ (6,130)</u>	<u>\$ 1,149,279</u>	<u>\$ 7,734,114</u>

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Plymouth County Retirement Association (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws. The Retirement System is administered by the Plymouth County Retirement Association Board of Directors (the “Retirement Board”). Stand-alone audited financial statements for the year ended December 31, 2014 were issued and are available by submitting a request to the Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

Current membership in the Retirement System for all employers as of December 31, 2014 was as follows:

Active and inactive employees	7,837
Retirees and beneficiaries currently receiving benefits, terminated employees entitled to benefits but not yet receiving them and disabled participants	<u>3,588</u>
	<u>11,425</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the Federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at

which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

Contributions Requirements – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$2,575,371 to the Retirement System in fiscal year 2015, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 22.0% in fiscal year 2015.

Net Pension Liability – At June 30, 2015, the Town reported a liability of \$25,286,063 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 4.338% at December 31, 2014.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2014, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,494,034 in pension expense in the statement of activities in fiscal year 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	1,169,285	—
Changes in proportion and differences between Town contributions and proportionate share of contributions	—	—
Town contributions subsequent to the measurement date	<u>—</u>	<u>—</u>
Total	<u>\$ 1,169,285</u>	<u>\$ —</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

Year ended June 30,	
2016	\$ 292,321
2017	292,321
2018	292,321
2019	<u>292,322</u>
Total	<u>\$ 1,169,285</u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2015. The significant actuarial assumptions used in the January 1, 2015 actuarial valuation included:

Inflation:	3.00%
Salary increases:	3.75%
Investment rate of return:	8.00%
Mortality rates:	Based on the RP-2000 Mortality Table projected to 2015 with Scale AA.
Disabled life mortality:	For disabled retirees, the mortality rates were based on the RP-2000 Mortality Table set forward two years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected

returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	33.0 %	10.2 %
Foreign equity	16.0 %	11.0 %
Fixed income	25.5 %	7.9 %
Real estate	13.0 %	9.3 %
Private equity	7.5 %	14.6 %
Hedge funds	4.0 %	8.7 %
Cash	1.0 %	4.0 %

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8.0% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount (8.0%)</u>	<u>1% Increase (9.0%)</u>
Town’s proportionate share of the net pension liability	\$ 31,685,461	\$ 25,286,063	\$ 19,799,061

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the Town’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of

the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2015, the Commonwealth contributed \$2,876,689 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.31%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	<u>Commonwealth Portion</u>	<u>Paid (or assumed) On Behalf of the Town</u>	<u>Town Portion</u>
Net pension liability	\$ 48,783,743	\$ (48,783,743)	\$ —
Pension expense	3,389,241	(3,389,241)	—

The Town recognized \$3,389,241 in intergovernmental revenue and pension expense relative to this arrangement.

MTRS issues certain financial information to the public on its website – www.mass.gov/mtrs. A more detailed discussion of its funding policies, actuarial assumptions and other inputs used to measure total pension liability may be found there.

C. Other Postemployment Benefits (OPEB)

Plan Description – The Town administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's self-funded insurance program described previously. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 439 active employees and 308 retired employees and their spouses for a total of 747.

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 15-25% of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Retirees also contribute 50% towards life insurance premiums (face value is \$5,000), while the Town contributes the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost is calculated based on the annual required contribution "ARC" of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contribution (ARC)	\$ 4,774,840
Amortization of Actuarial Loss	810,011
Interest on net OPEB obligation	814,187
Adjustment to ARC	<u>(1,131,841)</u>
Annual OPEB cost	5,267,197
Contributions made	<u>(1,687,223)</u>
Increase in net OPEB obligation	3,579,974
Net OPEB obligation at beginning of year	<u>20,354,679</u>
Net OPEB obligation at end of year	<u><u>\$23,934,653</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2015	\$ 5,267,197*	32.0%	\$ 23,934,653
June 30, 2015	\$ 5,695,804	29.8%	\$ 20,354,679
June 30, 2013	\$ 5,357,682	30.9%	\$ 16,358,304
June 30, 2012	\$ 5,434,342	43.2%	\$ 12,654,515

* Reflected in the Statement of Activities as follows:

The AOPEBC at June 30, 2015 was charged to the following functional programs: General Government \$244,405; Public Safety \$853,420; Education \$3,677,006; Public Works \$163,578; Health and Human Services \$77,422; Culture and Recreation \$141,521, and Water \$109,844.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2015, as of the most recent actuarial valuation performed as of July 1, 2014, was as follows:

Actuarial value of plan assets	\$ 134,655
Actuarial accrued liability (AAL)	\$55,228,313
Unfunded actuarial accrued liability (UAAL)	\$55,093,658
Funded ratio (actuarial value of plan assets/AAL)	0.24%
Covered payroll (annually payroll of active employees covered by the plan)	\$27,011,400
UAAL as a percentage of covered payroll	203.96%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the 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. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date:	July 1, 2014
Actuarial cost method:	Individual Entry Age Actuarial Cost Method
Amortization method:	30-year level percent of pay assuming 4.0% increasing, open basis
Remaining amortization period:	30 years as of July 1, 2014, open ended
Interest discount rate:	4 percent
Salary Increase	3%
Healthcare/Medical cost trend rate:	5%

D. Risk Financing

The Town 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 Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

The Town participates in a health insurance risk pool trust administered by the County of Plymouth, Massachusetts (the County), a municipal corporation that obtains health insurance for member governments at cost eligible to larger groups. The county offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the county. In the event the Group is terminated, the Town would be obligated to pay its proportionate share of a deficit, should one exist.

E. Commitments and Contingencies

The Town is party to other certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2015, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2015.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

In addition, the Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. Implementation of New GASB Pronouncements

Current Year Implementations

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement built upon the existing framework for financial reports of defined benefit pension plans, which included a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhanced note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also required the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement became effective for financial statements for periods beginning after June 15, 2013 and impacted the financial reports of the Retirement System and not the financial statements of the Town.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaced the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 required governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhanced accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of GASB 68 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements and required a restatement of the prior period's reported net position. Refer to Note V.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of GASB 69 became effective for the Town in fiscal 2015 and did not have a material effect on its financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 was to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of GASB 70 became effective for the Town in fiscal year 2015 and did not have a material effect on its financial statements.

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of GASB 71 was to address an issue regarding application of the transition provisions of GASB 68. The issue related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. The provisions of GASB 71 became effective for the Town in fiscal year 2015 and had a material effect on its financial statements. Refer to Note V.

Future Year Implementations

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addresses accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statement No. 67 and No. 68*. The objective of GASB 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2106 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted principles, or GAAP. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

IV. Prior Period Restatement

The following adjustments were required to correct errors, changes in presentation, and new accounting pronouncements; these required a restatement to the prior period ending balance.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
As previously recorded	\$ 111,830,660	\$ 21,026,186
Net pension liability	(23,318,792)	(758,363)
Capital lease obligation	(1,068,199)	-
Capital assets under leases	1,175,842	-
Depreciation on capital assets under leases	(176,376)	-
Landfill postclosure care	-	(710,500)
As restated	<u>\$ 88,443,135</u>	<u>\$ 19,557,323</u>

	<u>Nonmajor Funds</u>	<u>Capital Projects</u>
As previously recorded	\$ 5,586,958	\$ -
Reclassify balances	(1,008,323)	1,008,323
As restated	<u>\$ 4,578,635</u>	<u>\$ 1,008,323</u>

	<u>Proprietary Funds</u>	
	<u>Water</u>	<u>Solid Waste</u>
As previously recorded	\$ 20,188,669	\$ 837,517
Net pension liability	(758,363)	-
Landfill postclosure care	-	(710,500)
As restated	<u>\$ 19,430,306</u>	<u>\$ 127,017</u>

TOWN OF PEMBROKE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2015**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended December 31, <u>2014</u>
Town's proportion of the net pension liability (asset)	4.338%
Town's proportionate share of the net pension liability (asset)	\$ 25,286,063
Town's covered-employee payroll	\$ 11,687,730
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	216.3%
Plan fiduciary net position as a percentage of the total pension liability	47.94%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

	Year Ended December 31, <u>2014</u>
Actuarially determined contribution	\$ 2,575,371
Contributions in relation to the actuarially determined contribution	<u>2,575,371</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 11,687,730
Contributions as a percentage of covered-employee payroll	22.0%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF PEMBROKE, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS' TEACHER'S RETIREMENT SYSTEM

	Year Ended June 30, 2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 15,896,354,000
Commonwealth's actuarially determined contribution	\$ 937,379,000

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF PEMBROKE, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

SCHEDULE OF FUNDING PROGRESS

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2014	\$ 134,655	\$ 55,228,313	\$ 55,093,658	0.2%	\$ 27,011,400	204.0%
7/1/2012	-	55,253,748	55,253,748	0.0%	32,404,941	170.5%
7/1/2010	-	52,344,331	52,344,331	0.0%	31,461,108	166.4%
7/1/2008	-	53,872,046	53,872,046	0.0%	N/A	N/A

SCHEDULE OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30,	Annual OPEB Cost	(A) Actual Contributions	Percentage Contributed
2015	\$ 5,267,197	\$ 1,687,223	32.0%
2014	5,695,804	1,699,429	29.8%
2013	5,357,682	1,653,893	30.9%
2012	5,434,342	2,346,973	43.2%

See accompanying independent auditors' report.

TOWN OF PEMBROKE, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
REVENUES						
Real estate and personal property taxes	\$ 34,642,945	\$ 34,642,945	\$ 35,047,050	\$ -	\$ 35,047,050	\$ 404,105
Intergovernmental	14,897,455	14,897,455	14,851,009	-	14,851,009	(46,446)
Motor vehicle and other excises	2,382,364	2,382,364	2,865,355	-	2,865,355	482,991
License and permits	300,000	300,000	435,213	-	435,213	135,213
Departmental and other revenue	330,000	330,000	483,230	-	483,230	153,230
Penalties and interest on taxes	200,000	200,000	200,043	-	200,043	43
Fines and forfeitures	16,000	16,000	27,621	-	27,621	11,621
Investment income	46,000	46,000	61,163	-	61,163	15,163
Total Revenues	<u>52,814,764</u>	<u>52,814,764</u>	<u>53,970,684</u>	<u>-</u>	<u>53,970,684</u>	<u>1,155,920</u>
EXPENDITURES						
General government	2,897,947	3,046,683	2,613,740	316,529	2,930,269	116,414
Public safety	6,583,605	6,663,413	6,492,897	45,327	6,538,224	125,189
Education	31,378,341	31,378,341	29,385,799	1,965,267	31,351,066	27,275
Public works	1,321,076	1,405,197	2,360,673	19,188	2,379,861	(974,664)
Health and human services	600,674	615,561	565,032	25,600	590,632	24,929
Culture and recreation	932,463	970,708	898,583	46,345	944,928	25,780
Pension and other fringe benefits	9,835,546	9,807,947	9,382,870	20,575	9,403,445	404,502
State and county tax assessments	653,431	653,431	645,116	-	645,116	8,315
Debt service	3,075,632	3,072,432	2,749,079	205,292	2,954,371	118,061
Total Expenditures	<u>57,278,715</u>	<u>57,613,713</u>	<u>55,093,789</u>	<u>\$ 2,644,123</u>	<u>57,737,912</u>	<u>(124,199)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,224,242	1,224,242	1,069,760	-	1,069,760	(154,482)
Transfers out	(100,000)	(100,000)	(111,140)	-	(111,140)	(11,140)
Total Other Financing Sources (Uses)	<u>1,124,242</u>	<u>1,124,242</u>	<u>958,620</u>	<u>-</u>	<u>958,620</u>	<u>(165,622)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(3,339,709)</u>	<u>(3,674,707)</u>	<u>\$ (164,485)</u>	<u>-</u>	<u>\$ (2,808,608)</u>	<u>\$ 866,099</u>
Other budgetary items:						
Undesignated surplus (free cash)	1,131,068	1,342,066	-	-	-	-
Overlay	81,300	205,300	-	-	-	-
Prior year encumbrances and carryovers	2,712,409	2,712,409	-	-	-	-
Prior year snow and ice deficit	(585,068)	(585,068)	-	-	-	-
Variance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to required supplementary information.

TOWN OF PEMBROKE, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

I. **Budgetary Basis of Accounting**

Budgetary Information – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and Finance Committee and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unassigned fund balance. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

Budgetary-to-GAAP Reconciliation – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2015, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 53,970,684
On-behalf pension subsidy	\$ 3,389,241	\$ -	3,389,241
Subsequent tax receipts recognition, net	90,451	-	90,451
Interest earned on stabilization funds	-	16,895	16,895
Revenues on a GAAP basis	<u>\$ 3,479,692</u>	<u>\$ 16,895</u>	<u>\$ 57,467,271</u>
Expenditures on a budgetary basis			\$ 55,093,789
On-behalf pension payment	\$ 3,389,241	\$ -	3,389,241
Medicare reimbursements	-	34,965	34,965
Teacher summer payroll accrual difference	(630,862)	-	(630,862)
Transfer recognition - OPEB	40,000	-	40,000
Indirect cost impact	(270,418)	-	(270,418)
Debt issuance costs	63,472	-	63,472
Reclass of expenditure item to transfers	3,493	-	3,493
Expenditures on a GAAP basis	<u>\$ 2,594,926</u>	<u>\$ 34,965</u>	<u>\$ 57,723,680</u>
Net transfers on a budgetary basis			\$ 958,620
Reclass of expenditure item to transfers	\$ 3,493	\$ -	3,493
Reclass of transfer to expenditure	40,000	-	40,000
Indirect cost impact	(270,418)	-	(270,418)
Stabilization fund transfers	-	(131,675)	(131,675)
Transfers not budgeted	(76,944)	-	(76,944)
Net transfers on a GAAP basis	<u>\$ (303,869)</u>	<u>\$ (131,675)</u>	<u>\$ 523,076</u>

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2015, Town Meeting approved approximately \$334,998 in additional departmental appropriations from the original approved budget.

During the year-ended June 30, 2015, expenditures exceeded appropriations for costs associated with the Town's snow and ice efforts. This was due to seasonal issues exceeding forecasted amounts and was raised on December 9, 2015 when setting the tax rate for fiscal year 2016. No other appropriations were exceeded during fiscal year 2015.

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111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

Kathleen McCarthy, Treasurer
Town of Pembroke
Pembroke, Massachusetts

\$2,853,000
Town of Pembroke, Massachusetts
General Obligation Municipal Purpose Loan of 2017 Bonds
Dated February 10, 2017

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

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

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

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

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

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

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

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

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

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

/s/ LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Pembroke, Massachusetts (the “Issuer”) in connection with the issuance of its \$2,853,000 General Obligation Municipal Purpose Loan of 2017 Bonds dated February 10, 2017 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 2, 2017 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

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

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

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

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

Date: February 10, 2017

TOWN OF PEMBROKE,
MASSACHUSETTS

By _____
Treasurer

Selectmen

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

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**PROPOSAL FOR
\$2,853,000 General Obligation Municipal Purpose Loan of 2017 Bonds
Town of Pembroke, Massachusetts**

Sale Date: February 2, 2017

Kathleen McCarthy, Treasurer
Pembroke, Massachusetts
c/o Eastern Bank, Municipal Finance Department
265 Franklin Street
Boston, Massachusetts 02110

Dear Ms. McCarthy:

For all of \$2,853,000 Town of Pembroke, Massachusetts, General Obligation Municipal Purpose Loan of 2017 Bonds as further described in the Notice of Sale dated January 26, 2017, we bid _____ and accrued interest, if any, for each \$100 face value of bonds, bearing interest at the rate or rates per annum as follows:

Due February 1	Rate	Due February 1	Rate
2018	[]	2023	[]
2019	[]	2024	[]
2020	[]	2025	[]
2021	[]	2026	[]
2022	[]	2027	[]

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

BID MUST INCLUDE A PREMIUM OF AT LEAST \$45,000

By: _____ Telephone: _____
Address: _____ Fax: _____

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, for the purchase of \$ _____ General Obligation Refunding Bonds under the foregoing proposal:

Gross Interest Cost.....	\$ _____
Underwriter's Premium.....	\$ _____
True Interest Cost.....	\$ _____
Percent True Interest Cost.....	_____ %
	(four decimals)

The Municipal Finance Department of Eastern Bank will assist in submitting bids on this issue, if desired. Please sign a blank bid form and mail to the above address or fax in advance of the sale to: (617) 235-8110; or telephone final figures to us at (617) 235-8102 or 235-8104 approximately one-half hour prior to the sale. Bidders are responsible for any error in bids submitted in this manner.

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