

FINAL OFFICIAL STATEMENT DATED JANUARY 19, 2012

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

\$3,238,500
TOWN OF RUTLAND
Massachusetts

GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2012 BONDS**Dated: February 1, 2012****Due: September 1, 2012-2031**
(as shown below)**MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND/OR YIELDS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>
2012	\$283,500	2.00%	0.25%	2018	\$175,000	2.00%	1.15%
2013	270,000	2.00	0.40	2019	175,000	2.00	1.30
2014	275,000	2.00	0.55	2020	185,000	2.00	1.45
2015	270,000	2.00	0.75	2021	190,000	2.25	1.80
2016	255,000	2.00	0.85	2022	100,000	2.25	2.00
2017	160,000	2.00	1.00				

\$300,000 Term Bonds Maturing on September 1, 2025, at 2.50% per annum, at 2.35% yield

\$300,000 Term Bonds Maturing on September 1, 2028, at 2.75% per annum, at 2.65% yield

\$300,000 Term Bonds Maturing on September 1, 2031, at 3.05% per annum, at 3.05% price

Principal of the Bonds will be payable September 1 of the years in which the Bonds mature. Interest from the date of the Bonds will be payable on September 1, 2012, and semi-annually thereafter on each March 1 and September 1. The Bonds are subject to redemption prior to their stated dates of maturity as described herein.

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of one denomination of \$3,500 of the Bonds that will mature September 1, 2012. (See "Book-Entry Transfer System" herein.)

The legality of the Bonds will be approved by Edwards Wildman Palmer LLP of Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts serves as financial advisor to the Town. It is expected that the Bonds, in definitive form, will be delivered to The Depository Trust Company, or the offices of its custodial agent, on or after February 1, 2012, against payment in federal reserve funds.

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

ISSUE SUMMARY STATEMENT

Issuer: Town of Rutland, Massachusetts

Date of Sale: Thursday, January 19, 2012, at 11:00 a.m. (local time)

Method of Sale: Sealed and Electronic Bids

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

Minimum Bid: **No bid of less than 101.6 percent of par, or \$3,290,316 and accrued interest to date of delivery, if any, will be considered.**

Issue: \$3,238,500 General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds, Book-Entry Only (See “Book-Entry Transfer System”, herein.)

Dated Date of Bonds: February 1, 2012

Maturity Date of Bonds: Serially on September 1, 2012 through 2031, as detailed herein.

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

Credit Rating: Moody’s Investors Service rating is pending.

Security: The Bonds are valid general obligations of the Town of Rutland, Massachusetts, and the principal of and interest on the Bonds are payable from ad valorem taxes which may be levied upon all taxable property within the territorial limits of the Town and taxable by it subject to the limits imposed by Chapter 59, Section 21C of the General Laws (Proposition 2½) on \$2,157,000 of the Bonds, **and without limit as to rate or amount on \$1,081,500 of the Bonds**, except as provided under Chapter 44, Section 20 of the General Laws.

State Qualified Bonds: The Bonds will be State Qualified Bonds pursuant to Chapter 44A of the Massachusetts General Laws (“Chapter 44A”). Pursuant to Chapter 44A, the State Treasurer shall pay such debt service on State Qualified Bonds, and after each such payment, shall withhold from distributable aid payable to the Town, as defined in Chapter 44A, an amount which will be sufficient to pay the debt service on such State Qualified Bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the “Commonwealth”) to the Town under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the Town other than for payment of debt service on such State Qualified Bonds. Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any State Qualified Bonds or to guarantee payment or stand as surety to the payment of any State Qualified Bonds, See “STATE QUALIFIED BONDS” herein.

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

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

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

Paying Agent: The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts

Legal Opinion: Edwards Wildman Palmer LLP, Boston, Massachusetts

Delivery and Payment: It is expected that the Bonds will be delivered to The Depository Trust Company, or to the offices of its custodial agent, against payment to the account of the Town in federal reserve funds on or after February 1, 2012.

Issue Contacts: Sally M. Hayden, Treasurer, Town of Rutland,
Telephone (508) 886-4103.
Clark H. Rowell, Vice President, UniBank Fiscal Advisory Services, Inc.,
Telephone (508) 849-4224.
Richard A. Manley, Jr., Esq., Edwards Wildman Palmer LLP, Boston,
Telephone (617) 239-0384.

Additional Information: Refer to the Preliminary Official Statement herein dated January 10, 2012.

NOTICE OF SALE

**TOWN OF RUTLAND
Massachusetts**

\$3,238,500

GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2012 BONDS

The Town of Rutland, Massachusetts, will receive sealed and electronic proposals until 11:00 a.m. (Local Time) on

January 19, 2012

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

\$3,238,500 **GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2012 BONDS** (the “Bonds”) payable September 1 of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2012	\$283,500	2022	\$100,000
2013	270,000	2023	100,000
2014	275,000	2024	100,000
2015	270,000	2025	100,000
2016	255,000	2026	100,000
2017	160,000	2027	100,000
2018	175,000	2028	100,000
2019	175,000	2029	100,000
2020	185,000	2030	100,000
2021	190,000	2031	100,000

The Bonds will be dated February 1, 2012. Interest from the date of the Bonds will be payable on September 1, 2012, and semi-annually thereafter on each March 1 and September 1. Principal of and interest on the Bonds will be paid as described below. The Bonds maturing in the years 2012 through 2021, inclusive, are not subject to redemption prior to their stated dates of maturity.

The Bonds maturing on and after September 1, 2022, are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after September 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

For any and all of the Bonds maturing on and after September 1, 2022, bidders may specify that all of the principal amount of such Bonds having any two or more consecutive maturities, may in lieu of having separate maturity dates, be combined to comprise one or more Term Bonds, and shall be subject to mandatory redemption or mature at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the Term Bond having the nearest subsequent maturity date.

Term Bonds, if any, shall be subject to mandatory redemption on September 1 in the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

The Bonds will be issued by means of a book-entry system with no physical distribution of certificates made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with the exception of one denomination of \$3,500 of the Bonds that will mature September 1, 2012, will be evidenced by the book-entry system, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the Town nor the Paying Agent will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

The legality of the Bonds will be approved by Edwards Wildman Palmer LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser.

Electronic proposals will be submitted through *i-Deal*[®]. If any provisions in this Notice of Sale conflict with information provided by *i-Deal*[®], this Notice of Sale shall control. Further information about *i-Deal*[®], including any fees charged, may be obtained from *i-Deal*[®] at (212) 849-5000. The Town assumes no responsibility or liability for bids submitted through *i-Deal*[®]. An electronic bid made in accordance with this Notice of Sale shall be deemed an irrevocable offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Other bids, including bids by delivered telegram, should be sealed, marked "Proposal for Bonds" and addressed to Ms. Sally M. Hayden, Treasurer, Town of Rutland, c/o UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, Massachusetts 01588. Proposals delivered as specified will be accepted. Blank bid forms with signature may be faxed or otherwise sent to UniBank Fiscal Advisory Services, Inc. prior to submitting bids at (508) 234-1938, with actual bids telephoned to (508) 849-4224, at least one half hour prior to the 11:00 a.m. (local time) sale. UniBank Fiscal Advisory Services, Inc. will act as agent for the bidder in submitting the bid but neither the Town nor UniBank Fiscal Advisory Services, Inc. is responsible for any errors with bids submitted in this manner. A good faith deposit is not required.

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

No bids of less than 101.6 percent of par, or \$3,290,316 plus accrued interest to date of delivery, if any, will be considered.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of February 1, 2012, discounts semi-annually all future payments on account of principal and interest to the price bid, not including

interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

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 January 19, 2012 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of his contractual obligations arising from the acceptance of his 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, except for the fee paid to Moody's Investors Service for the rating of the Bonds. Any such fee paid to Moody's Investors Service will be borne by the issuer.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Edwards Wildman Palmer LLP substantially in the form presented in Appendix C to the Preliminary Official Statement dated January 10, 2012; (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, both as of the date of sale and of the date of delivery of the Bonds, the Final Official Statement referred to below does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate to be dated as of the date of delivery of the Bonds and incorporated by reference in the Bonds substantially in the form of Appendix D of the Preliminary Official Statement dated January 10, 2012 included herein.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond, nor any error with respect thereto shall constitute cause of a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however that the Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

In order to assist bidders in complying with Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

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

The Bonds, in definitive form, will be delivered to the purchaser at The Depository Trust Company, or the offices of its custodial agent, on or after February 1, 2012, against payment in federal reserve funds.

Additional information concerning the Town of Rutland and the Bonds is contained in the Preliminary Official Statement dated January 10, 2012, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained from Clark H. Rowell, Vice President, UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, Massachusetts, 01588, telephone (508) 849-4224. Such Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering prices, interest rates, and any other items of the Bonds depending on such matters and the identity of the underwriters. Within seven (7) business days following the award of the Bonds in accordance herewith, 50 copies of a Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser's expense.

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

**TOWN OF RUTLAND
Massachusetts**

/s/ Sally M. Hayden
Treasurer

Dated: January 10, 2012

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OFFICIAL STATEMENT

**TOWN OF RUTLAND
MASSACHUSETTS**

\$3,238,500

GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2012 BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Rutland, Massachusetts (the "Town") in connection with the sale of \$3,238,500 General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds, dated February 1, 2012 (the "Bonds") of the Town.

The Bonds are being offered for sale at a public bidding and a Notice of Sale dated January 10, 2012, has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. They are not guaranteed by The Commonwealth of Massachusetts (the "Commonwealth") or any other entity. The security for the Bonds is more fully described under the caption Security and Remedies herein. See also the caption Opinion of Bond Counsel.

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Sally M. Hayden, Treasurer, Town of Rutland, (508) 886-4103; Clark H. Rowell, Vice President, UniBank Fiscal Advisory Services, Inc., (508) 849-4224; or Richard A. Manley, Jr., Esq., Edwards Wildman Palmer LLP, (617) 239-0384.

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

PART I
THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated February 1, 2012, and will mature on September 1 of the years and in the principal amounts as follows:

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Due September 1</u>	<u>Principal Amount</u>
2012	\$283,500	2022	\$100,000
2013	270,000	2023	100,000
2014	275,000	2024	100,000
2015	270,000	2025	100,000
2016	255,000	2026	100,000
2017	160,000	2027	100,000
2018	175,000	2028	100,000
2019	175,000	2029	100,000
2020	185,000	2030	100,000
2021	190,000	2031	100,000

The Bonds will bear interest at the rate or rates per annum as specified on the cover of this Official Statement.

The Bonds maturing in the years 2012 through 2021, inclusive, are not subject to optional redemption prior to their stated dates of maturity. The Bonds maturing in the years 2022 and 2031, inclusive, are subject to optional redemption prior to their stated dates of maturity on and after September 1, 2021, either in whole or in part at any time, and if in part by lot within a maturity at par plus accrued interest to the date of redemption. The Bonds may also be subject to mandatory redemption as provided herein. See "Redemption Prior to Maturity" herein.

Principal and semi-annual interest on the Bonds will be paid to The Depository Trust Company ("DTC"), New York, New York by the Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, or its successor, acting as paying agent (the "Paying Agent"). Interest from the date of the Bonds will be payable on September 1, 2012, and semi-annually thereafter on each March 1 and September 1. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments of principal and interest on the Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payment to the Beneficial Owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof, with the exception of one denomination of \$3,500 of the Bonds that will mature September 1, 2012. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

STATE QUALIFIED BONDS

The Bonds constitute “qualified bonds” pursuant to Chapter 44A of the General Laws. Pursuant to Chapter 44A, the Town Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid payable to the Town, as defined in Chapter 44A, an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the “Commonwealth”) to the Town under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the Town other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify or amend the above described provisions so as to create any lien of charge on or pledge, assignment, diversion, withholding payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such aid or other amounts, or of the manner, time, or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds. Chapter 44A further provides that nothing therein shall be constructed to relieve the Town of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on an qualified bonds issued by the Town; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the Town which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the Town Auditor the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the Town for the current fiscal year; and provided further, that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the Town shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the Town.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

The Town may issue other bonds in addition to the Bonds as qualified bonds on a parity with the Bonds pursuant to Chapter 44A.

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, provided that, with respect to overdue interest or interest on any overdue amount, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days

before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

BOOK-ENTRY TRANSFER SYSTEM

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

DTC, the world's largest 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 and www.dtc.org.

Purchases of securities (including the Bonds) under the DTC system 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 held by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities held by 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 held by 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 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 held by it; DTC's records reflect only the identity of the Direct Participants to

whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent to vote with respect to securities held by DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer of 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 such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities held by 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 the Bonds at any time by giving reasonable notice to the Town or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

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

DTC PRACTICES

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

AUTHORIZATION AND USE OF PROCEEDS

The Bonds are authorized for the following purposes:

- \$1,700,000 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Sections 8(5), as amended, and a vote of the Town taken on May 14, 2011 (Article 25), for the purpose of designing and constructing water system improvements in the Town. **Debt service for this portion of the Bonds is expected to be paid from water service user charges.**
- \$ 547,500 of the Bonds are being issued as part of a total authorization of \$1,131,074 authorized pursuant to Chapter 70B, of the Massachusetts General Laws, as amended, and votes of the Town on May 14, 2011 (Article 21), and on June 20, 2011, for the purpose of designing and constructing repairs and renovations to the Naquag Elementary School. The Town is also receiving a grant for approximately 52 percent of eligible project costs, from the Massachusetts School Building Authority towards the construction of the project. **Debt service on this portion of the Bonds has been excluded from the limitations of Proposition 2½.**
- \$ 406,800 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(9), as amended, and votes of the Town taken on May 15, 2010 (Article 33) and September 14, 2011, for the purpose of purchasing a new fire truck for the Town. **Debt service on this portion of the Bonds has been excluded from the limitations of Proposition 2½.**
- \$ 358,500 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(1), as amended, and a vote of the Town taken on October 29, 2007 (Article 25), for the purpose of designing and constructing sewerage improvements in the Town. **Debt service for this portion of the Bonds is expected to be paid from sewer service user charges.**
- \$ 107,200 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(9), as amended, and votes of the Town taken on May 15, 2010 (Article 26) and September 14, 2011, for the purpose of purchasing a new truck for the Department of Public Works in the Town. **Debt service on this portion of the Bonds has been excluded from the limitations of Proposition 2½.**
- \$ 98,500 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Section 8(5), as amended, and a vote of the Town taken on October 25, 2010 (Article 12), for the purpose of preparing the design of water system improvements. **Debt service on this portion of the Bonds is expected to be paid from water service user charges.**
- \$ 20,000 of the Bonds are authorized pursuant to Massachusetts General Laws, Chapter 44, Section 7(9), as amended, and votes of the Town taken on October 29, 2007 (Article 1) and December 10, 2007, for the purpose of purchasing a new ambulance for the Town. **Debt service on this portion of the Bonds has been excluded from the limitations of Proposition 2½.**

The Bonds have received approval from the Municipal Finance Oversight Board to be permanently financed pursuant to the State Qualified Bond Act.

There are currently two series of bond anticipation notes outstanding against these various authorizations, for \$701,000 and 378,500. The notes will be retired with proceeds of the Bonds.

REDEMPTION PRIOR TO MATURITY

The Bonds maturing in the years 2012 through 2021, inclusive, are not subject to optional redemption prior to their stated dates of maturity. The Bonds maturing on and after September 1, 2022, are subject to redemption prior to maturity, at the option of the Town, on and after September 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date of redemption.

MANDATORY REDEMPTION

The Bonds maturing on September 1, 2025, September 1, 2028 and September 1, 2031, the “Term Bonds”, will be subject to mandatory redemption on September 1 in each year or years immediately prior to the stated maturity of such Term Bonds (the particular portion of the Term Bonds of such maturity to be redeemed to be selected by lot) as indicated herein.

The Bonds maturing on September 1, 2025 are subject to mandatory redemption or mature on September 1 in each of the years 2023, 2024 and 2025, inclusive, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2023	\$100,000
2024	100,000
2025 [†]	100,000

The Bonds maturing on September 1, 2028 are subject to mandatory redemption or mature on September 1 in each of the years 2026, 2027 and 2028, inclusive, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2026	\$100,000
2027	100,000
2028 [†]	100,000

The Bonds maturing on September 1, 2031 are subject to mandatory redemption or mature on September 1 in each of the years 2029, 2030 and 2031, inclusive, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2029	\$100,000
2030	100,000
2031 [†]	100,000

[†] Denotes final maturity.

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds, prior to their maturities, specifying the Bonds (or the portions thereof) to be redeemed and the place or places of payment shall be mailed to each registered owner of the Bonds to be redeemed not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or of a nominee of a Beneficial Owner (having received notice from

a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. If moneys for the redemption are held by the Paying Agent on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the Bonds (or portions thereof) called for redemption shall cease to accrue.

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" (see "Serial Bonds and Notes" herein) and setoffs of state distributions (see "State Distributions" herein), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

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

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

The Town has voted to exclude the debt service on \$1,081,500 of the Bonds and on \$5,745,961 of currently outstanding bonds from the limits of Proposition 2½.

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

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, 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 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 "Types of Obligations" herein) and any other sums due and payable by the city or town to the Commonwealth, or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (the "MBTA") or a regional transit authority) of which it is a member or for costs of the Massachusetts Water Resources Authority (the "MWRA") 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 treatment services to the city or town.

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

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation

act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

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

OPINION OF BOND COUNSEL

A copy of the legal opinion of the firm of Edwards Wildman Palmer LLP, of Boston, Massachusetts (see Appendix C), will be furnished to the successful bidder. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

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

TAX EXEMPTION

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

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

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

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

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

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

On September 12, 2011, President Obama proposed legislation entitled the "American Jobs Act of 2011" (the "Jobs Act"). As proposed, the Jobs Act included a provision, effective for tax years beginning after 2012, that could have resulted in additional federal income tax being imposed on certain high income taxpayers who own bonds the interest on which is otherwise excluded from gross income under Section 103 of the Code, including the Bonds. On October 11, 2011, the Jobs Act, as introduced in the United States Senate, failed to pass a cloture vote that would have ended debate and permitted the Senate to vote on the merits of the bill. However, the Jobs Act, or portions thereof, including the provision described above, may be reintroduced in Congress in the future. In addition, other tax legislation (either proposed or future), if enacted into law, also could cause

interest on the Bonds to be 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. 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. Except as indicated in the following paragraph, Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

RATING

Application has been made to Moody's Investors Service, for a rating on the Bonds. Such rating, if obtained, will reflect only the rating agency's view and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

CONTINUING DISCLOSURE

In order to assist the original purchasers of the Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year, (the "Annual Report") and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The Town has never failed to comply, in all material respects, with any previous undertakings to provide financial information or notices of significant events in accordance with the Rule.

PART II

THE TOWN

The Town of Rutland is located in central Worcester County, approximately 52 miles west of Boston and 13 miles northwest of the City of Worcester. It is bordered on the west by the Towns of Barre and Oakham, on the north by the Town of Hubbardston, on the east by the Towns of Princeton and Holden, and on the south by the Town of Paxton. It is also the geographic center of the Commonwealth. Its 2010 population is estimated at 7,973. Its land area is approximately thirty-six square miles. The Town was confirmed on February 23, 1713, and became incorporated in 1722. It is governed by a five-member Board of Selectmen and an Open Town Meeting.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

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

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

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

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

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

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councillors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town

manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

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

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district. (See “Regional School Districts” under “OVERLAPPING DEBT” herein.)

SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, water and sewer services to approximately 52 and 47 percent of the population, respectively, library, streets, parks and recreation. Solid waste collection and disposal services are provided by private waste haulers. It is a member of the Wachusett Regional School District and the Bay Path Regional Vocational Technical High School in Charlton.

Legislation was enacted in 1997 abolishing the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex, and Berkshire counties as of January 15, 1999, July 1, 1999, and July 1, 2000, respectively. The legislation also required the state secretary for administration and finance to establish a plan to recover the Commonwealth’s expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county governments in other counties.

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by Town Meeting, the affairs of the Town are generally administered by a board of five selectmen elected for staggered three-year terms on an at-large basis.

The Town has voted to create the position of Town Administrator; however, the Town has not yet funded that position.

Local taxes are assessed by a board of three assessors elected for staggered three-year terms. Local school affairs are administered by the Town’s by four and two elected school district committee members for the Wachusett and Bath Path districts, respectively.

The following are the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	Joseph R. Becker, Chairman	Elected / 3 years	2012
	Michael S. Pantos, Vice Chairman	Elected / 3 years	2012
	Leroy C. Clark	Elected / 3 years	2013
	Sheila H. Dibb	Elected / 3 years	2014
	Peter J. Letsky	Elected / 3 years	2014
Town Administrator	vacant	Appointed	--
Town Accountant	Daniel B. Haynes	Appointed / 1 year	2012
Treasurer	Sally M. Hayden	Elected / 3 years	2012
Tax Collector	Sally M. Hayden	Elected / 3 years	2012
Town Clerk	Sally M. Hayden	Elected / 3 years	2012
Town Counsel	Paul Cranston	Appointed	2012

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

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 loans 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.

DEBT LIMITS

General Debt Limit. The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

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

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

TYPES OF OBLIGATIONS

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

Serial Bonds and Notes. These are generally required to be payable in 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 of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue (“DOR”). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restriction on future indebtedness) as may be required by the Board. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities, for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

DEBT (1)

The following shows the direct debt to be outstanding as of February 1, 2012, including the Bonds:

General Obligation Bonds: (2)

Within General Debt Limit

Town Buildings	\$7,010,000
Sewerage (3)	485,000
Land Acquisition	510,000
Departmental Equipment	316,000
The Bonds	<u>892,500</u>

Total Within General Debt Limit \$ 9,213,500

Outside General Debt Limit:

Schools (4)	\$7,374,000
Water (3)	25,000
Other Outside General	6,358,679
The Bonds	<u>2,346,000</u>

Total Outside General Debt Limit 16,103,679

Total General Obligation Bonds \$25,317,179 (5)

Temporary Loans in anticipation of:

Revenue	\$ 0
Bonds (6)	546,000
Grants	<u>0</u>

Total Temporary Loans 546,000

Total Direct Debt \$25,863,179

(Footnotes are presented on the following page.)

- (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 \$42,511,220 and the double general debt limit is \$85,022,440.*
- (3) **Debt service is expected to be paid from water and sewer service user revenues.**
- (4) *As of June 30, 2011, the unpaid balance of the State School Construction grants expected to be payable over the life of the outstanding bonds was \$6,915,688.*
- (5) **Of this amount, \$1,081,500 of the Bonds and \$5,745,961 of previously issued bonds has been excluded from the provisions of Proposition 2½.**
- (6) *Does not include \$1,334,500 Bond Anticipation Notes to be retired with proceeds of the Bonds.*

AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCINGS

After the issuance of the Bonds, the Town will have \$546,000 authorized unissued debt for the purpose of purchasing the Rutland Heights Hospital, formerly a State owned and operated long-term care hospital. The Town has \$546,000 Bond Anticipation Notes currently outstanding to fund the purchase of the property. Due to potential private use issues, the Town has not determined when and how it will permanently finance the acquisition.

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Long-Term Indebtedness:					
Within the General Debt Limit					
Sewers & Drains	\$ 525,000	\$ 590,000	\$ 652,000	\$ 749,000	\$ 846,000
Land Acquisition	565,200	625,800	686,300	746,900	805,000
Schools	6,975,000	7,440,000	7,905,000	8,370,000	8,840,000
Other Building	540,000	580,000	620,000	660,000	700,000
Departmental Equipment	92,000	123,000	192,000	261,000	324,000
Athletic & Recreational Facilities	0	0	0	20,000	40,000
Total Within the General Debt Limit	<u>\$ 8,697,200</u>	<u>\$ 9,358,800</u>	<u>\$10,055,300</u>	<u>\$10,806,900</u>	<u>\$11,555,000</u>
Outside the General Debt Limit:					
Schools	8,282,800	9,158,200	9,989,700	10,796,100	11,110,000
Other Outside General	6,397,311	6,493,919	6,586,373	6,674,857	6,759,549
Water	25,000	50,000	65,000	80,000	360,000
Total Long-Term Indebtedness	<u>\$14,705,111</u>	<u>\$15,702,119</u>	<u>\$16,641,073</u>	<u>\$17,550,957</u>	<u>\$18,229,549</u>
Short-Term Indebtedness:					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bonds Anticipation Notes	1,350,500	768,650	836,150	788,650	340,000
Grant Anticipation Notes	0	0	0	0	0
Total Short-Term Indebtedness	<u>1,350,500</u>	<u>768,650</u>	<u>836,150</u>	<u>788,650</u>	<u>340,000</u>
Total Indebtedness	<u>\$24,752,811</u>	<u>\$25,829,569</u>	<u>\$27,532,523</u>	<u>\$29,146,507</u>	<u>\$30,124,549</u>

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

ANNUAL DEBT SERVICE (1)

The following table presents the debt service payable by the Town as of February 1, 2012, including the Bonds:

Fiscal Year	<u>Outstanding as of 02/01/12</u>		<u>Current Issue</u>		Total	Cumulative %
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest (2)</u>	<u>Debt Service (3)</u>	<u>Retired</u>
2012	\$ 112,320	\$ 354,157	\$ 0	\$ 0	\$ 466,477	0.4%
2013	1,731,498	874,681	283,500	133,720	3,023,399	8.4
2014	1,769,253	813,713	270,000	112,800	2,965,766	16.5
2015	1,761,227	748,787	275,000	101,900	2,886,914	24.5
2016	1,801,795	681,015	270,000	91,000	2,843,810	32.7
2017	1,846,239	614,004	255,000	80,500	2,796,534	41.0
2018	1,837,935	547,889	160,000	72,200	2,618,024	48.9
2019	1,889,895	477,451	175,000	65,500	2,607,846	57.0
2020	724,129	407,835	175,000	58,500	1,365,464	60.6
2021	725,652	377,371	185,000	51,300	1,339,323	64.2
2022	732,476	344,193	190,000	43,800	1,315,470	67.8
2023	739,616	310,341	100,000	38,000	1,187,957	71.1
2024	747,087	278,314	100,000	34,000	1,159,401	74.5
2025	681,064	247,194	100,000	30,000	1,058,259	77.6
2026	685,704	217,054	100,000	26,000	1,028,757	80.7
2027	194,260	197,560	100,000	22,000	513,820	81.8
2028	203,212	188,608	100,000	18,000	509,820	83.0
2029	212,578	179,242	100,000	14,000	505,820	84.3
2030	222,378	169,442	100,000	10,000	501,820	85.5
2031	232,632	159,188	100,000	6,000	497,820	86.9
2032	243,361	148,459	100,000	2,000	493,820	88.2
2033	254,588	137,232	0	0	391,820	89.2
2034	266,334	125,486	0	0	391,820	90.3
2035	278,626	113,194	0	0	391,820	91.4
2036	291,487	100,333	0	0	391,820	92.5
2037	304,944	86,876	0	0	391,820	93.7
2038	319,026	72,794	0	0	391,820	95.0
2039	333,761	58,059	0	0	391,820	96.3
2040	349,181	42,639	0	0	391,820	97.7
2041	363,602	26,505	0	0	390,107	99.1
2042	222,817	9,706	0	0	232,524	100.0
2043	0	0	0	0	0	
Total	<u>\$22,078,679</u>	<u>\$9,110,112</u>	<u>\$3,238,500</u>	<u>\$1,011,220</u>	<u>\$35,438,511</u>	

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

(2) Interest expense is estimated at 4.00 percent.

(3) **Principal totaling \$1,081,500 of the Bonds and \$5,745,961 of currently outstanding bonds and the interest thereon have been exempted from the provisions of Proposition 2½.**

BONDED DEBT VS. POPULATION, VALUATIONS AND INCOME

	As of June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Amount (000 omitted) (1)	\$23,402,311	\$25,060,919	\$26,696,373	\$28,357,857	\$29,784,549
Per Capita (2)	\$2,935	\$3,143	\$3,309	\$3,567	\$3,745
Percent of Assessed Valuation (3)	3.11%	3.18%	3.30%	3.44%	3.76%
Percent of Equalized Valuation (4)	2.75%	2.76%	2.94%	3.64%	3.83%
Per Capita as a percent of Personal Income Per Capita (2)	12.59%	13.48%	14.19%	15.30%	16.07%

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

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

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

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

REVENUE ANTICIPATION BORROWING

The Town has not issued revenue anticipation notes during the past ten years and does not expect to need to issue such notes in the immediate future.

CONTRACTS

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

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

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see "CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT" herein), cities and towns may also be empowered to make other contracts and leases.

The Town's has a contract with the Massachusetts Water Resources Authority for sewage disposal services. Under the agreement, the Town pays the MWRA a rate based on cubic feet of sewage discharged to its system.

The Town's fiscal 2011 expense under this agreement was \$687,078; the Town has budgeted \$742,457 for such expense for fiscal 2012. There is no termination date to this agreement.

OVERLAPPING DEBT (1)

Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws, a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts subject to the provisions of the Education Reform Act of 1993.

The Town is a member community of two regional school districts: the Wachusett Regional School District and the Bay Path Regional Vocational Technical High School in Charlton. The following table indicates the portion of overlapping long-term debt relating to the Town:

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Assessment for Operations and Debt Service Fiscal Year 2012</u>
Wachusett Regional School District (2)	\$26,630,000	\$0	\$8,066,349
Bay Path Regional Vocational Technical High School District (3)	\$ 0	\$0	\$ 226,516

(1) Excludes debt of the Commonwealth.

(2) Source: Wachusett Regional School District. Debt is as of February 1, 2012. The other District members are the Towns of Holden, Princeton, Paxton and Sterling. The Town of Rutland's share of the outstanding debt is approximately 16 percent of the total.

(3) Source: Bay Path Regional Vocational Technical High School District. Debt is as of February 1, 2012. The other District members are the Towns of Auburn, Charlton, Dudley, North Brookfield, Oxford, Paxton, Southbridge, Spencer and Webster.

RETIREMENT PLAN

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

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities.

Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

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

The Town participates in the Worcester Regional Retirement System. The System has approved a retirement funding schedule which reduced the unfunded actuarial liability to zero as of June 30, 2039.

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.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must be submitted to PERAC by September 27, 2010. The Town did not submit a plan and does not intend to offer this option.

The annual contributions to the retirement system for the most recent years and budgeted for the current fiscal year are as follows:

<u>Year</u>	<u>Total</u>
2012 (budgeted)	\$287,759
2011 (unaudited)	260,876
2010	269,153
2009	246,470
2008	206,204

In addition to pension benefits, cities and towns may provide retired employees with payments for a portion of their health care and life insurance benefits. These benefit payments are generally provided on a pay-as-you-go basis. The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part. As of January 1, 2010, the estimated total actuarial liability of the Worcester Regional Retirement System was \$863,002,067. The assets of the System were \$413,976,785, leaving an estimated unfunded actuarial liability of \$449,025,282. The discount rate used for the amortization of the unfunded liability was 8.00 percent (Source: Ricci Consultants, Inc. Needham, Massachusetts). There is no separate valuation of the Town's share of the liability. Based on the total payments to be made to the System in fiscal 2012 by the member units, the Town of Rutland's share was 0.89 percent of the total.

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 and the amount budgeted for fiscal 2012 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012 (budgeted)	\$53,728
2011 (unaudited)	54,314
2010	51,096
2009	30,613

The Governmental Accounting Standards Board ("GASB") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of 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. On January 10, 2009, Massachusetts enacted Chapter 479 of the Laws of 2009 which permits municipalities to establish a trust fund for the purpose of pre-funding this liability. The Town established a Post Employment Benefits Liability Trust Fund at its May 2010 Annual Town Meeting.

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2010. The Town contracted with Primoris Benefit Advisors, Inc., to prepare the actuarial valuation. As presented in the valuation report, as of June 30, 2010, the Town had 37 active employees who may be

eligible for benefits in the future and 13 retired employees and survivors who are currently receiving benefits. The total Actuarial Accrued Liability, assuming pay-as-you-go system at an assumed rate of investment of 4.00 percent, was \$2,786,515; and the Annual Required Contribution, assuming a thirty-year amortization of the unfunded liability was \$317,944.

PROPERTY TAXATION

Tax Rate and Valuation - General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 per cent of their share of the total valuation. A city or town may also exempt up to 20 per cent 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 valuation". See "Debt Limits" herein.

VALUATIONS

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

	For Fiscal Year				
	<u>2012</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008 (1)</u>
Real Property (2)	\$715,741,500	\$736,011,800	\$774,237,400	\$797,481,700	\$814,735,900
Personal Property (2)	<u>19,592,900</u>	<u>17,492,500</u>	<u>13,809,800</u>	<u>12,633,700</u>	<u>10,049,300</u>
Total	<u>734,741,500</u>	<u>753,504,300</u>	<u>788,047,200</u>	<u>810,115,400</u>	<u>824,785,200</u>
Equalized Value (3)	\$850,224,400	\$850,224,400	\$908,650,600	\$908,650,600	\$778,214,100
Percent of Total Assessed to Equalized Valuation	86.4%	88.6%	86.7%	89.2%	106.0%

(1) Revaluation years.

(2) As of January 1, of the previous fiscal year.

(3) The equalized valuations in effect for each year.

CLASSIFICATION OF PROPERTY

The table on the following page shows the breakdown of the total assessed valuation for fiscal years 2011, 2010, and 2009 by classification:

<u>Class</u>	<u>Fiscal 2012 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Fiscal 2011 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Fiscal 2010 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Residential	\$696,739,937	94.8%	\$717,310,529	95.2%	\$754,815,246	95.0%
Commercial	16,111,263	2.2	16,373,471	2.2	16,338,954	2.1
Industrial	2,297,400	0.3	2,327,800	0.3	3,083,200	0.4
Personal	19,592,900	2.7	17,492,500	2.3	13,809,800	1.8
Total	<u>\$734,741,500</u>	<u>100.0%</u>	<u>\$753,504,300</u>	<u>100.0%</u>	<u>\$788,047,200</u>	<u>100.0%</u>

TAX RATES

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

<u>Fiscal Year</u>	<u>Actual Tax Rate (1)</u>	<u>Full Value Rate (2)</u>
2012	\$15.30	\$13.22
2011	14.14	12.53
2010	12.92	11.21
2009	11.99	10.69
2008	11.21	11.88

(1) Source: Massachusetts Department of Revenue.

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

LARGEST TAXPAYERS

The following is a list of the ten largest taxpayers for fiscal year 2012. All these taxpayers are current on payment of real estate and personal property taxes to the Town.

<u>Name</u>	<u>Nature of Business</u>	<u>Total Assessed Valuation for Fiscal 2012</u>	<u>Amount of Tax(1)</u>	<u>Percent of Total Levy</u>
Clealand B. Blair	Commercial, Housing & Res	\$26,109,670	\$399,478	3.55%
JM Soucy Plumbing	Housing & Residence	3,526,200	53,951.	0.48
C & B. Besse	Nursery & Residence	3,000,400	45,906	0.41
Lussier Enterprises	Commercial, Housing & Res	2,825,700	43,233	0.38
Gengel, C&S Builders	Commercial, Housing & Res	2,614,900	40,008	0.36
Individual	Private residence	2,136,500	32,688	0.29
C & M Warrington	B&B, Commercial & Res	1,630,600	24,948	0.22
David Sczurko	Commercial, Housing & Res	1,589,700	24,322	0.22
Industrial Tower & Wireless	Cell Tower	1,016,200	15,548	0.14
Pleasantdale LLC	Gas station / convenience store	<u>953,000</u>	<u>14,581</u>	<u>0.13</u>
Total		<u>\$45,402,870</u>	<u>\$694,663</u>	<u>6.18%</u>

TAX LEVIES

Levy - General. The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "Tax Limitations" herein. As to the inclusion of debt service and final judgments, see "Security and Remedies" herein.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" herein) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits" herein).

Taxation to Meet Deficits. As noted elsewhere (see "Abatements and Overlay" herein) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

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 2.5 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7.5 percent by majority vote of the voters, or to less than 7.5 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2.5 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 of the voters.

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

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. 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. 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) 2.5 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veteran's district 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.

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

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

CALCULATION OF TAX LEVIES AND LEVY LIMITS (1)

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

	<u>For Fiscal Year (000 omitted)</u>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Gross Amount to be Raised:					
Appropriations	\$17,584	\$16,463	\$15,756	\$15,456	\$15,547
Other Local Expenditures	8	8	38	163	11
State & County Charges	35	34	37	43	48
Overlay Reserve	<u>78</u>	<u>84</u>	<u>85</u>	<u>84</u>	<u>55</u>
Total Gross Amount to be Raised	<u>17,705</u>	<u>16,588</u>	<u>15,916</u>	<u>15,747</u>	<u>15,661</u>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	1,745	1,759	1,786	2,041	2,136
Estimated Receipts - Local	4,175	3,565	2,773	2,702	2,901
Available Funds Appropriated					
Free Cash	524	72	66	32	42
Other Available Funds	19	213	962	1,063	932
Free Cash & Other Revenue					
Used to Reduce the Tax Rate	<u>0</u>	<u>325</u>	<u>148</u>	<u>195</u>	<u>404</u>
Total Estimated Receipts & Revenue	<u>\$ 6,463</u>	<u>\$ 5,934</u>	<u>\$ 5,735</u>	<u>\$ 6,033</u>	<u>\$ 6,415</u>
Net Amount To Be Raised (Tax Levy)	<u>\$11,242</u>	<u>\$10,655</u>	<u>\$10,182</u>	<u>\$ 9,713</u>	<u>\$ 9,246</u>

(1) Source: Massachusetts Department of Revenue

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

	For Fiscal Year (000 omitted)				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Primary Levy Limit (2)	\$18,368	\$18,838	\$19,701	\$20,253	\$20,620
Prior Fiscal Year Levy Limit	9,453	8,985	8,583	8,113	7,669
2.5% Levy Growth	237	225	215	203	192
New Growth	306	243	187	268	252
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	9,996	9,453	8,985	8,583	8,113
Debt Exclusions	1,315	1,205	1,200	1,140	1,138
Capital Expenditure Exclusions	0	0	0	0	0
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	11,311	10,657	10,186	9,723	9,250
Tax Levy	<u>11,242</u>	<u>10,655</u>	<u>10,182</u>	<u>9,713</u>	<u>9,246</u>
Unused Levy Capacity (3)	<u>\$ 69</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 10</u>	<u>\$ 4</u>
Unused Primary Levy Capacity (4)	<u>\$ 8,372</u>	<u>\$ 9,385</u>	<u>\$10,716</u>	<u>\$11,670</u>	<u>\$12,507</u>

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary levy limit less growth levy limit

* Recalculated due to certification of retroactive growth.

TAX COLLECTIONS AND ABATEMENTS

Payment Dates. The Town has accepted a statute permitting quarterly tax payments. Under that statute, preliminary tax payments are 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 October 1 and May 1 if actual tax bills are mailed by December 31. Interest accrued on delinquent taxes at the rate of 14 percent per annum.

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

Personal Liability. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described in "Taking and Sale" below.

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

For Fiscal Year

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total Tax Levy	\$11,241,545	\$10,654,551	\$10,181,570	\$9,713,284	\$9,245,842
Overlay Reserve for Abatements	<u>77,613</u>	<u>83,703</u>	<u>85,433</u>	<u>84,413</u>	<u>55,313</u>
Net Tax Levy (1)	<u>\$11,163,932</u>	<u>\$10,570,848</u>	<u>\$10,096,137</u>	<u>\$9,628,871</u>	<u>\$9,190,530</u>
Amount Collected During Fiscal Year Payable (2)	n.a.	\$10,338,441	\$9,846,297	\$9,350,149	\$8,999,871
Percent of Net Tax Levy Amount Collected	n.a.	97.8%	97.5%	97.1%	97.9%
Through 11/30/11 (2)	\$ 5,001,588	\$10,501,604	\$10,062,620	\$9,587,188	\$9,166,844
Percent of Net Tax Levy	44.8%	99.3%	99.7%	99.6%	99.7%

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

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

Abatements and Overlay. A city or town is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

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

For Fiscal Year

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Tax Levy	\$10,654,551	\$10,181,570	\$9,713,284	\$9,245,842	\$8,527,572
Overlay Reserve for Abatements	83,703	85,433	84,413	55,313	79,661
Percent of Tax Levy	0.8%	0.8%	0.9%	0.6%	0.9%
Abatements Granted:					
During Fiscal Year of Levy	\$44,539	\$39,152	\$33,678	\$29,485	\$38,403
Through 11/30/11	\$46,044	\$39,152	\$34,134	\$29,839	\$39,009

Taking and Sale. Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Sale of Tax Receivables. Legislation enacted in 1996 authorized public sales by cities and towns of delinquent property tax receivables, either individually or in bulk.

Municipal Tax Amnesty. Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges and accrued interest relates. The Town has not implemented this program.

TOWN FINANCES

Budget and Appropriation Process

The annual appropriations of the Town are made at the annual meeting, which takes place in May. 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.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department.

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

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

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 herein.)

BUDGET COMPARISON

The following table sets forth the budgets for fiscal years 2008 through 2012:

<u>Fiscal Year</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Wachusett RSD (Education)	\$ 8,066,349	\$ 7,620,388	\$ 7,146,896	\$ 6,517,663	\$ 6,321,726
Bay Path RSD (Education)	226,516	218,956	303,145	302,476	368,132
General Government	574,466	605,073	642,674	631,305	603,193
Public Safety	1,525,768	1,518,076	1,455,793	1,513,226	1,515,006
Public Works	1,015,002	1,164,191	998,396	1,014,900	1,094,600
Human Services	126,744	132,959	91,570	99,971	78,132
Culture and Recreation	186,507	187,764	165,318	245,760	245,526
Debt Service	2,410,537	2,577,104	2,643,203	2,691,973	2,768,666
Miscellaneous	1,020,715	940,267	881,916	843,549	894,070
Water Enterprise	543,565	525,110	563,020	546,495	747,174
Sewer Enterprise	<u>1,017,475</u>	<u>975,916</u>	<u>907,179</u>	<u>954,313</u>	<u>891,716</u>
Total	<u>\$16,713,644</u>	<u>\$16,465,804</u>	<u>\$15,799,110</u>	<u>\$ 15,361,631</u>	<u>\$15,527,941</u>

STATE AID

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. None of the programs have a termination date under existing law, and while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

The following table sets forth the amount of state aid to the Town in recent years and the amount budgeted for fiscal 2012:

<u>Fiscal Year</u>	<u>Total From State</u>
2012 (budgeted)	\$ 873,195
2011 (unaudited)	903,967
2010	988,933
2009	1,034,575
2008	1,115,202

As a result of lower than anticipated state revenues in the 2009 fiscal year, the state legislature authorized the Governor to make significant reductions in the amount of state aid originally appropriated for cities and towns for the 2009 fiscal year. The figure shown in the table above reflects a reduction of \$99,262 from the original appropriation. The Town absorbed the reduction by establishing conservative expenditure practices with the General Fund budget for the remainder of the fiscal year.

STATE SCHOOL BUILDING ASSISTANCE PROGRAM

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds. As of July 1, 2004, a total of 425 projects for which completed grant applications had been submitted were still on the Department of Education's project priority list awaiting approval of a grant.

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

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

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. The Authority expects to pay grants for all of the projects on the priority waiting list by the end of fiscal year 2008. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

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

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 and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. 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% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including 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, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. 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 TAX” herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, 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 on the real property tax levy. 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 which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes 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 revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged. The Town has not accepted this legislation.

MOTOR VEHICLE EXCISE

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

The following table shows the actual receipts in each of the most recent fiscal years and the amount budgeted to be received in fiscal 2012.

<u>Fiscal Year</u>	<u>Receipts (1)</u>
2012 (budgeted)	\$950,000
2011 (unaudited)	964,423
2010	794,509
2009	891,755
2008	944,344

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

OTHER TAXES

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

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

The Town has not accepted any of these local option taxes.

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

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

The Town has not voted to establish any development districts.

INVESTMENTS

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, s.55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit 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 of SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. 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 section 54 of Chapter 44, which permits a broader range of investments than section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by sections 54 and 55 do not apply to city and town retirement systems. (See pages 29 and 32 through 34 of the audited financial statements for 2010 in Appendix B for additional information regarding the Town's investments.)

UNDESIGNATED GENERAL FUND BALANCE AND FREE CASH

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

The following table presents undesignated general fund balance and free cash for the most recent fiscal years:

	<u>Undesignated General</u>	
<u>June 30,</u>	<u>Fund Balance</u>	<u>Free Cash</u>
2011 (unaudited)	\$689,907 (1)	\$522,917
2010	407,010	82,950
2009	330,280	132,011
2008	398,151	272,299
2007	620,933	(204,132)

(1) The Town's unaudited General Fund balance sheet for June 30, 2011, has been included in Appendix A. The accounting for this been performed in accordance with the Uniform Municipal Accounting System in Massachusetts and may vary significantly from figures presented in the audited financial statements.

STABILIZATION FUND

The Town has had a Stabilization Fund for many years. Under Massachusetts statutes, funds may be appropriated from the Fund for any municipal purpose by a two-thirds vote of the Town Meeting. The following table presents the balance in the Stabilization Fund for the most recent fiscal years:

<u>Fiscal Year</u>	<u>Amount</u>
2011 (unaudited)	\$356,712
2010	586,156
2009	720,444
2008	779,159
2007	746,535

None of the June 30, 2011, balance has been appropriated at Town Meeting for use in fiscal 2012. The Town appropriated \$300,000 into the Stabilization Fund at its November 14, 2011, Special Town Meeting.

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. The Town has approximately 100 full and permanent part-time employees, of which approximately 30 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Contract Expires</u>
Local 399, Massachusetts Coalition of Police, AFL-CIO	Police and dispatchers	12	06/30/11 (1)
Rutland Professional Firefighters, International Association of Firefighters, 4557A	Firefighters	5	06/30/11 (1)
American Federation of State, County and Municipal Employees, Council 93 AFL-CIO	Public Works	13	06/30/13

(1) *Currently in negotiations.*

PHYSICAL AND ECONOMIC CHARACTERISTICS

The Town of Rutland is located in central Worcester County, approximately 52 miles west of Boston and 13 miles northwest of the City of Worcester. In the 1880's the Town grew as a health resort center known for its clean air. During the early part of the twentieth century, Rutland became famous for its health care industry and fresh air living environment. Its last health care facility closed in 1991. The Town is now a bedroom community with many of its residents commuting to the cities of Boston, Springfield and Worcester on a daily basis.

BUILDING PERMITS

The following table presents the estimated valuation of new building permits issued for the current and past four calendar years.

<u>Calendar Year</u>	<u>Estimated Value</u>
2011 (through August 31)	\$4,381,625
2010	8,616,000
2009	5,990,850
2008	5,732,400
2007	6,766,600

EMPLOYMENT BY INDUSTRY

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Construction and Natural Resources	96	99	108	115	120
Trade, Transportation and Utilities	125	144	138	136	143
Financial Activities	16	15	14	13	47
Professional and Business Services	72	74	92	90	96
Leisure and Hospitality	79	80	128	89	122
Information and Other Services	74	75	79	81	75
Total Employment	1,064	1,057	1,082	1,105	1,100
Number of Establishments	143	139	143	137	135
Total Annual Wage (\$,000)	\$36,442	\$35,175	\$35,663	\$34,608	\$36,297
Average Weekly Wage	659	\$640	\$634	\$602	\$635

PRINCIPAL EMPLOYERS

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

<u>Company(1)</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
Devereux School	Special Needs School	273
C. B. Blair	Contractor	55
C & S Builders	Contractor	15

(1) Source: The Town

PUBLIC SCHOOL ENROLLMENTS (1)

The table on the following page presents the student enrollment for the Town of Rutland at the Wachusett Regional School District as of October 1 for each of the past five calendar years.

	Actual				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
K-5	838	849	813	819	805
6-12	722	753	734	722	840
Vocational	0	2	4	1	0
Preschool	24	21	20	28	24
Special Education	(2)	12	16	20	0
Total	<u>1,584</u>	<u>1,637</u>	<u>1,587</u>	<u>1,590</u>	<u>1,669</u>

(1) As of October 1 of each year.

(2) Included in the figures above.

As of October 1, 2011, the Town had 30 students enrolled at the Bay Path Vocational Regional High School.

OTHER DATA

Unemployment (1)

<u>Year</u>	<u>Rutland</u>	<u>Massachusetts</u>	<u>United States</u>
2011 (October)	6.4%	6.8%	8.5%
2010	7.5	8.5	9.6
2009	7.8	8.2	9.3
2008	4.5	5.3	5.8
2007	4.1	4.5	4.6

(1) Massachusetts Department of Employment and Training. Full year annual averages except for 2011 which is for the month indicated.

Population (1)

<u>Year</u>	<u>Rutland</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2010 (Preliminary)	7,973	25.5%	798,552	6.3%	6,547,629	3/1%
2000	6,353	28.7	750,963	5.8	6,349,097	5.5
1990	4,936	14.0	709,705	9.8	6,016,425	4.9
1980	4,329	35.4	646,352	1.5	5,737,037	0.8
1970	3,198		637,037		5,689,170	

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

Population Density (1)

<u>Year</u>	<u>Rutland</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density (2)</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2010 (Preliminary)	7,973	226.1	798,552	527.7	6,547,629	835.4
2000	6,353	180.2	750,963	496.3	6,349,097	810.0
1990	4,936	140.0	709,705	469.0	6,016,425	767.6
1980	4,329	122.8	646,352	427.2	5,737,037	732.0
1970	3,198	90.7	637,037	421.0	5,689,170	725.8

(1) Source: U.S. Department of Commerce for actuals, Massachusetts Institute for Social & Economic Research for projections.

(2) Based on 35.3 square miles.

Population Composition 2000 (1)

<u>Age</u>	<u>Rutland</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	506	8.0%	50,027	6.7%	397,268	6.3%
5 Years to 19 Years	1,589	25.0	162,638	21.7	1,277,845	20.1
20 Years to 64 Years	3,771	59.4	440,329	58.6	3,813,822	60.1
65 Years & Over	487	7.7	97,969	13.0	860,162	13.5
Total	6,353	100.0%	750,963	100.0%	6,349,097	100.0%
Median Age	34.6		36.3		36.5	
Median Age (1980)	32.1		33.1		33.6	

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

Income Levels (1)

<u>Year</u>	<u>Rutland</u>		<u>Worcester County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change from Previous Census</u>	<u>Amount</u>	<u>% Change From Previous Census</u>
Per Capita-Personal						
1999	\$23,311	39.9%	\$22,983	48.3%	\$25,952	50.7%
1989	16,661	145.2	15,500	124.4	17,224	131.0
1979	6,794		6,908		7,457	
Median Family						
Income (1999)	\$70,689		\$58,394		\$61,664	
Median Household						
Income (1999)	\$62,846		\$47,874		\$50,502	
% Below Poverty						
Level (1999)	3.3%		9.2%		9.3%	

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

Family Income Distribution 1999 (1)

Income for Families	Rutland		Worcester County		Massachusetts	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	26	1.5%	8,811	4.5%	71,198	4.5%
\$10,000-\$24,999	154	9.1	22,849	11.8	175,120	11.0
\$25,000-\$49,999	238	14.1	48,192	24.9	368,418	23.2
\$50,000-\$74,999	551	32.7	46,056	23.8	359,202	22.6
\$75,000-\$99,999	417	24.7	30,392	15.7	251,231	15.8
\$100,000-\$149,999	221	13.1	25,632	13.2	222,234	14.0
\$150,000 or more	80	4.7	11,880	6.1	140,134	8.8
Total	<u>1,687</u>	<u>100.0%</u>	<u>193,812</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>

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

Household Income Distribution 1999 (1)

Income for Households	Rutland		Worcester County		Massachusetts	
	Households	Percent	Households	Percent	Households	Percent
Less than \$10,000	123	5.5%	25,152	8.8%	214,700	8.8%
\$10,000-\$24,999	284	12.7	48,186	17.0	385,395	15.8
\$25,000-\$49,999	433	19.3	74,212	26.1	608,320	24.9
\$50,000-\$74,999	613	27.3	58,935	20.7	490,998	20.1
\$75,000-\$99,999	450	20.1	35,696	12.6	312,741	12.8
\$100,000-\$149,999	252	11.2	28,596	10.1	267,300	10.9
\$150,000 or more	89	4.0	13,441	4.7	165,134	6.8
Total	<u>2,244</u>	<u>100.0%</u>	<u>284,218</u>	<u>100.0%</u>	<u>2,444,588</u>	<u>100.0%</u>

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

Value Distribution Of Specified Owner-Occupied Housing Units 2000 (1)

Units	Rutland		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	157	9.8%	24,058	16.1%	113,263	9.5%
\$100,000-\$149,999	660	41.4	55,194	36.9	277,571	23.4
\$150,000-\$199,999	466	29.2	33,326	22.3	273,542	23.0
\$200,000-\$299,999	256	16.1	24,356	16.3	286,599	24.1
\$300,000-\$499,999	55	3.5	10,715	7.2	170,536	14.4
\$500,000 or more	0	0.0	1,739	1.2	66,360	5.6
Total	<u>1,594</u>	<u>100.0%</u>	<u>149,388</u>	<u>100.0%</u>	<u>1,187,871</u>	<u>100.0%</u>

Median Value \$148,700 \$146,000 \$185,700

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

Age Distribution of Housing Units 2000 (1)

Year Built	Rutland		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1990 to March 2000	601	25.1%	32,843	11.0%	218,407	8.3%
1980 to 1989	315	13.2	39,366	13.2	292,701	11.2
1940 to 1979	1,070	44.7	127,855	42.9	1,205,183	46.0
1939 or Earlier	406	17.0	98,095	32.9	905,698	34.5
Total	<u>2,392</u>	<u>100.0%</u>	<u>298,159</u>	<u>100.0%</u>	<u>2,621,989</u>	<u>100.0%</u>

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

Housing Unit Inventory 2000 (1)

Units in Structure	Rutland		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1, Detached	1,912	79.9%	167,648	56.2%	1,374,479	52.4%
1, Attached	30	1.3	10,667	3.6	104,129	4.0
2 to 4	148	6.2	69,488	23.3	603,917	23.0
5 to 9	24	1.0	17,467	5.9	156,135	6.0
10 to 19	16	0.7	11,079	3.7	113,697	4.3
20 or more	209	8.7	18,870	6.3	244,892	9.3
Mobil Home, Trailer, or Other	53	2.2	2,940	1.0	24,740	0.9
Total	<u>2,392</u>	<u>100.0%</u>	<u>289,159</u>	<u>100.0%</u>	<u>2,621,989</u>	<u>100.0%</u>

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

Educational Attainment 2000 (1)

Years of School Completed	Rutland		Worcester County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th Grade	52	1.3%	28,826	5.8%	247,556	5.8%
9th to 12th Grade, No Diploma	243	6.1	53,200	10.7	403,537	9.4
High School Graduate	1,179	29.5	149,639	30.2	1,165,489	27.3
Some College, No Degree	855	21.4	91,635	18.5	730,135	17.1
Associate's Degree	488	12.2	39,063	7.9	308,263	7.2
Bachelor's Degree	829	20.7	82,648	16.7	834,554	19.5
Graduate or Professional Degree	350	8.8	50,857	10.3	583,741	13.7
Total	<u>3,996</u>	<u>100.0%</u>	<u>495,868</u>	<u>100.0%</u>	<u>4,273,275</u>	<u>100.0%</u>
High School Graduate or Higher	3,701	92.6%	413,842	83.5%	3,622,182	84.8%
Bachelor's Degree or Higher	1,179	29.5	133,505	26.9	1,418,295	33.2

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

LITIGATION

At present there are a number of suits pending in which the Town is a defendant. In the opinion of the Town, there is no litigation, either pending or threatened, which is considered likely to result, either individually or in the aggregate, in final judgments which would materially adversely affect the Town's financial position.

**TOWN OF RUTLAND
Massachusetts**

By: /s/ Sally M. Hayden
Town Treasurer

Dated: January 10, 2012

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APPENDIX A

The Town's unaudited General Fund balance sheet for June 30, 2011, has been included in Appendix A. The accounting for the Surplus Revenue figure has been performed in accordance with the Uniform Municipal Accounting System in Massachusetts and may vary significantly from the figures presented in the audited financial statements.

The Balance Sheets and the Comparative Statement of Revenues and Expenditures for fiscal years 2010, 2009, 2008, 2007 and 2006 have been extracted from the audited financial statements of the Town.

The audited financial statements for fiscal year ending June 30, 2010, are presented in Appendix B.

**TOWN OF RUTLAND
BALANCE SHEET
UNAUDITED GENERAL FUND (1)
FISCAL YEAR ENDED JUNE 30, 2011**

ASSETS

Cash	\$1,037,360
Receivables	
Real Estate	216,570
Personal Property	32,373
Tax Liens	730,593
Motor Vehicle Excise	154,890
Other	80,146
Tax Foreclosures	<u>40,340</u>
Total Assets	<u><u>\$2,292,272</u></u>

LIABILITIES

Provision for Abatements	\$ 152,344
Deferred Revenues	
Property Taxes	96,598
Other	992,017
Other Liabilities	<u>219,172</u>
Total Liabilities	<u><u>\$1,460,131</u></u>

FUND BALANCE

Fund Balance Reserved	
Encumbrances	\$ 122,320
Other	19,914
Undesignated Fund Balance	<u>689,907</u>
Total Fund Balance	<u><u>\$ 832,141</u></u>
Total Liabilities and Fund Balance	<u><u>\$2,292,272</u></u>

(1) Excerpted from the unaudited financial statements prepared by the Town Accountant. The accounting has been performed in accordance with the Uniform Municipal Accounting System in Massachusetts and may vary significantly from figures presented in the audited financial statements.

**TOWN OF RUTLAND
BALANCE SHEET
GENERAL FUND (1)
FISCAL YEAR ENDED JUNE 30,**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>					
Cash and Investments	\$ 617,999	\$ 498,305	\$ 401,580	\$ 995,295	\$ 849,622
Receivables:					
Property taxes	410,035	351,865	276,048	221,048	207,252
Tax liens and foreclosures	514,973	548,539	400,668	338,629	295,821
Excises	188,802	124,391	181,764	181,312	133,631
User fees	107,635	62,251	81,665	59,763	72,750
Intergovernmental	30,055	11,175	20,163	60,749	137,256
Due from other funds	<u>0</u>	<u>0</u>	<u>65,540</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$1,868,599</u>	<u>\$1,597,526</u>	<u>\$1,509,928</u>	<u>\$1,856,796</u>	<u>\$1,696,332</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants payable	\$ 44,384	\$ 50,668	\$ 38,749	\$ 190,377	\$ 119,269
Accounts payable	0	0	0	0	10,512
Accrued payroll and withholdings	122,103	90,579	91,522	153,456	138,884
Deferred revenue	1,125,915	973,877	866,270	715,251	643,190
Accrued interest payable	0	0	0	13,125,	0
Other Liabilities	<u>0</u>	<u>22,817</u>	<u>6,770</u>	<u>9,947</u>	<u>6,435</u>
Total Liabilities	<u>\$1,292,402</u>	<u>\$1,137,941</u>	<u>\$1,003,311</u>	<u>\$1,082,156</u>	<u>\$ 918,290</u>
Fund Balance:					
Reserved for:					
Encumbrances	149,273	94,951	108,466	153,707	228,362
Expenditures	19,914	34,354	0	0	48,000
Perpetual (nonexpendable) permanent funds					
Unreserved	<u>407,010</u>	<u>330,280</u>	<u>398,151</u>	<u>620,933</u>	<u>501,680</u>
Total Fund Balance	<u>576,197</u>	<u>459,585</u>	<u>506,617</u>	<u>774,640</u>	<u>778,042</u>
Total Liabilities and Fund Balance	<u>\$1,868,599</u>	<u>\$1,597,526</u>	<u>\$1,509,928</u>	<u>\$1,856,796</u>	<u>\$1,696,332</u>

(1) As audited by Melanson Heath & Company, Certified Public Accountants, Greenfield, Massachusetts.

TOWN OF RUTLAND, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND (1)
YEAR ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:					
Property Taxes	\$10,138,957	\$ 9,574,964	\$ 9,146,806	\$ 8,525,975	\$ 7,423,534
Excises	798,133	895,267	946,446	891,699	986,702
Penalties & Interest On Taxes	466,435	414,162	385,073	369,111	338,049
Charges for Services	572,310	611,813	534,916	496,755	393,163
Intergovernmental	1,949,203	2,004,985	2,253,318	2,229,586	1,986,861
Licenses and Permits	114,471	96,102	147,637	178,688	157,182
Fines and Forfeitures	8,050	12,453	14,620	14,087	14,698
Investment Income	21,675	41,762	79,513	51,034	136,734
Miscellaneous	<u>67,722</u>	<u>87,291</u>	<u>95,775</u>	<u>114,077</u>	<u>109,342</u>
Total Revenues	<u>\$14,136,956</u>	<u>\$13,738,799</u>	<u>\$13,604,104</u>	<u>\$12,871,012</u>	<u>\$11,546,265</u>
Expenditures					
General Government	1,377,190	1,421,319	1,448,755	1,313,328	1,254,785
Public Safety	1,390,767	1,670,396	1,474,799	1,420,625	1,240,267
Education	7,535,856	6,949,066	6,848,590	6,417,720	6,286,387
Public Works	975,397	963,513	1,113,215	1,120,403	1,148,023
Health and Human Services	96,948	94,088	68,201	61,144	53,523
Culture and Recreation	162,785	244,097	243,239	228,255	164,475
Debt Service	<u>2,632,628</u>	<u>2,684,886</u>	<u>2,714,078</u>	<u>2,742,589</u>	<u>2,075,925</u>
Total Expenditures	<u>\$14,171,571</u>	<u>\$14,027,365</u>	<u>\$13,910,877</u>	<u>\$13,304,064</u>	<u>\$12,223,385</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,615)	(288,566)	(306,773)	(433,052)	(677,120)
Other Financing Sources (Uses):					
Proceeds of Refunding Bond	0	0	9,435,000	0	0
Payment to Refunding Agent	0	0	(9,435,000)	0	0
Note Proceeds	0	120,000	0	0	0
Operating Transfers In	169,943	126,784	44,000	434,900	440,982
Operating Transfers Out	<u>(18,716)</u>	<u>(5,250)</u>	<u>(5,250)</u>	<u>(5,250)</u>	<u>(255,250)</u>
Total Other Financing Sources (Uses)	<u>151,227</u>	<u>241,534</u>	<u>38,750</u>	<u>429,650</u>	<u>185,732</u>
Net Change In Fund Balance	116,612	(47,032)	(268,023)	(3,402)	(491,388)
Beginning Fund Balance (Deficit)	<u>\$ 459,585</u>	<u>\$ 506,617</u>	<u>\$ 774,640</u>	<u>\$ 778,042</u>	<u>\$1,269,430</u>
Ending Fund Balance	<u>\$ 576,197</u>	<u>\$ 459,585</u>	<u>\$ 506,617</u>	<u>\$ 774,640</u>	<u>\$ 778,042</u>

(1) As audited by Melanson Heath & Company, Certified Public Accountants, Greenfield, Massachusetts.

APPENDIX B

There follows in this Appendix audited financial statements of the Town of Rutland, Massachusetts, as of June 30, 2010, together with the auditor's report of Melanson Heath & Company, Certified Public Accountants, Greenfield, Massachusetts.

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TOWN OF RUTLAND, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2010

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Melanson Heath & Company, PC

Certified Public Accountants

Management Advisors

51 Davis Street

Greenfield, MA 01301

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Rutland, Massachusetts

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 Rutland, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rutland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Additional Offices:

Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME

The management's discussion and analysis, appearing on the following pages, and the schedule of funding progress appearing at the back of this report are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
September 13, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Rutland, we offer readers this narrative overview and analysis of the financial activities of the Town of Rutland for the fiscal year ended June 30, 2010.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major 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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information

which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 20,084,716, (i.e., net assets), an increase of \$ 144,911 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,286,862, an increase of \$ 8,888 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 407,010, an increase of \$ 76,730 in comparison with the prior year.
- Total long-term debt (i.e., bonds and notes payable) at the close of the current fiscal year was \$ 25,829,568, a decrease of \$ (1,702,955) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 3,507,671	\$ 3,353,456	\$ 1,075,751	\$ 1,121,285	\$ 4,583,422	\$ 4,474,741
Capital assets	39,283,486	40,677,313	3,188,132	3,141,337	42,471,618	43,818,650
Total assets	42,791,157	44,030,769	4,263,883	4,262,622	47,055,040	48,293,391
Long-term liabilities out- standing	25,169,038	26,482,168	1,061,532	1,143,150	26,230,570	27,625,318
Other liabilities	608,356	602,461	131,398	125,807	739,754	728,268
Total liabilities	25,777,394	27,084,629	1,192,930	1,268,957	26,970,324	28,353,586
Net assets:						
Invested in capital assets, net	14,822,321	14,614,706	2,734,482	2,650,189	17,556,803	17,264,895
Restricted	784,718	764,608	-	-	784,718	764,608
Unrestricted	1,406,724	1,566,826	336,471	343,476	1,743,195	1,910,302
Total net assets	\$ 17,013,763	\$ 16,946,140	\$ 3,070,953	\$ 2,993,665	\$ 20,084,716	\$ 19,939,805

CHANGES IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,340,562	\$ 1,231,424	\$ 1,474,525	\$ 1,465,122	\$ 2,815,087	\$ 2,696,546
Operating grants and contributions	1,456,716	1,359,999	-	-	1,456,716	1,359,999
Capital grants and contributions	279,232	257,967	-	-	279,232	257,967
General revenues:						
Property taxes	10,207,681	9,625,036	-	-	10,207,681	9,625,036
Excises	854,687	836,409	-	-	854,687	836,409
Penalties, interest on taxes, and other taxes	466,435	414,162	18,490	-	484,925	414,162
Grants and contributions not restricted to specific programs	815,043	999,565	-	-	815,043	999,565
Investment income (loss)	29,960	79,972	-	-	29,960	79,972
Other	79,272	98,791	2,310	7,409	81,582	106,200
Total revenues	15,529,588	14,903,325	1,495,325	1,472,531	17,024,913	16,375,856
Expenses:						
General government	1,713,857	1,521,461	-	-	1,713,857	1,521,461
Public safety	1,851,205	1,833,793	-	-	1,851,205	1,833,793
Education	8,500,928	7,895,775	-	-	8,500,928	7,895,775
Public works	1,437,354	1,669,178	-	-	1,437,354	1,669,178
Human services	326,355	311,169	-	-	326,355	311,169
Culture and recreation	591,174	574,036	-	-	591,174	574,036
Interest	1,041,092	1,100,627	-	-	1,041,092	1,100,627
Other	-	1,044	-	-	-	1,044
Water	-	-	539,773	545,269	539,773	545,269
Sewer	-	-	878,264	834,045	878,264	834,045
Total expenses	15,461,965	14,907,083	1,418,037	1,379,314	16,880,002	16,286,397
Change in net assets	67,623	(3,758)	77,288	93,217	144,911	89,459
Net assets - beginning of year	16,946,140	16,949,898	2,993,665	2,900,448	19,939,805	19,850,346
Net assets - end of year	\$ 17,013,763	\$ 16,946,140	\$ 3,070,953	\$ 2,993,665	\$ 20,084,716	\$ 19,939,805

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 20,084,716, an increase of \$ 144,911 from the prior year.

The largest portion of net assets, \$ 17,556,803 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. These

capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets, \$ 784,718 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 1,743,195 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in an increase in net assets of \$ 67,623. Key elements of this decrease are as follows:

	Government-Wide Governmental Activities
General Fund operating results (discussed in Section D)	\$ 116,612
Major fund - stabilization fund transfers out in excess of revenues	(134,288)
Special revenue, capital projects and trust fund revenue and transfers in exceeding expenditures and transfers out	26,564
Current year depreciation expense less than debt service principal payments, net of refunding amortization	118,889
Other timing differences	(116,075)
Other:	
Capital assets purchased using tax levy	<u>55,921</u>
Total	<u>\$ 67,623</u>

Business-type activities. Business-type activities for the year resulted in an increase in net assets of \$ 77,288. Key elements of this change are as follows:

Water enterprise	\$ (15,996)
Sewer operations	<u>93,284</u>
Total	<u>\$ 77,288</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 2,286,862 an increase of \$ 8,888 in comparison with the prior year. Key elements of this decrease are as follows:

General Fund operating results (discussed below)	\$ 116,612
Major fund - stabilization fund transfers out in excess of revenues	(134,288)
Special revenue, capital project and trust fund revenues and transfers in exceeding expenditures and transfers out	<u>26,564</u>
Total	<u>\$ 8,888</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 407,010, while total fund balance was \$ 576,197. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.9% of total general fund expenditures, while total fund balance represents 4.1% of that same amount.

The fund balance of the general fund increased by \$ 116,612, during the current fiscal year. Key factors in this change are as follows:

Excess of tax collections compared to budget	\$ 42,820
State and local revenues less than budget	(53,251)
Budgetary appropriations unspent by departments	188,634
Use of free cash (fund balance) as a funding source	(145,802)
Other financing uses	29,889
Timing Differences:	
Excess of current year encumbrances to be spent in subsequent period over prior year encumbrances spent in the current year	<u>54,322</u>
Total	<u>\$ 116,612</u>

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 336,471. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a net increase in appropriations of \$ 29,931, which consisted of additional appropriations for departmental operational expenses.

\$ 21,931 of this increase was funded by free cash and \$ 8,000 was funded through a transfer from special revenue funds.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business- type activities at year end amounted to \$ 42,471,618 (net of accumulated depreciation), a decrease of \$ (1,347,033) from the prior year. This investment in capital assets includes land, buildings and improvements, construction in progress, machinery, equipment and furnishings, and infrastructure.

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

- Depreciation expense of \$ (1,449,748) in Governmental Activities and \$ (147,661) in Business-Type Activities.
- Additions of the following:
 - Public safety vehicles – \$ 55,921
 - Sewer infrastructure – \$ 136,479
 - Water building improvement – \$ 57,976

Long-term debt. At the end of the current fiscal year, total bonded debt and long-term notes outstanding was \$ 25,829,568, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Mr. Daniel Haynes
Town Accountant
Town of Rutland
250 Main Street
Rutland, MA 01543

TOWN OF RUTLAND, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 1,266,699	\$ 897,053	\$ 2,163,752
Investments	860,616	-	860,616
Receivables, net of allowance for uncollectibles:			
Property taxes	389,830	-	389,830
Excises	150,584	-	150,584
User fees	135,226	178,698	313,924
Intergovernmental	316,676	-	316,676
Loans	2,225	-	2,225
Deferred loss on early retirement of debt	34,818	-	34,818
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	49,679	-	49,679
Loans	22,772	-	22,772
Deferred loss on early retirement of debt, net of current portion	278,546	-	278,546
Land and construction in progress	1,847,842	-	1,847,842
Capital assets, net of accumulated depreciation	<u>37,435,644</u>	<u>3,188,132</u>	<u>40,623,776</u>
TOTAL ASSETS	42,791,157	4,263,883	47,055,040
LIABILITIES			
Current:			
Warrants payable	132,078	122,633	254,711
Accounts payable	-	8,765	8,765
Accrued payroll and withholdings	122,103	-	122,103
Deferred revenues	42,214	-	42,214
Accrued interest payable	311,961	-	311,961
Current portion of long-term liabilities:			
Bonds payable	1,568,607	40,000	1,608,607
Notes payable	45,000	72,500	117,500
Sick leave buyback	20,441	-	20,441
Capital leases	17,395	-	17,395
Noncurrent:			
Bonds payable, net of current portion	22,852,311	500,000	23,352,311
Notes payable, net of current portion	320,000	431,150	751,150
Sick leave buy back, net of current portion	88,172	-	88,172
Capital leases, net of current portion	18,612	-	18,612
Net OPEB obligation	<u>238,500</u>	<u>17,882</u>	<u>256,382</u>
TOTAL LIABILITIES	25,777,394	1,192,930	26,970,324
NET ASSETS			
Invested in capital assets, net of related debt	14,822,321	2,734,482	17,556,803
Restricted for:			
Grants and other statutory restrictions	607,769	-	607,769
Permanent funds:			
Nonexpendable	94,416	-	94,416
Expendable	82,533	-	82,533
Unrestricted	<u>1,406,724</u>	<u>336,471</u>	<u>1,743,195</u>
TOTAL NET ASSETS	\$ <u>17,013,763</u>	\$ <u>3,070,953</u>	\$ <u>20,084,716</u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General government	\$ 1,713,857	\$ 278,507	\$ 196,910	\$ -	\$ (1,238,440)	\$ -	\$ (1,238,440)
Public safety	1,851,205	470,935	272,896	-	(1,107,374)	-	(1,107,374)
Education	8,500,928	-	960,270	-	(7,540,658)	-	(7,540,658)
Public works	1,437,354	17,838	7,499	279,232	(1,132,785)	-	(1,132,785)
Health and human services	326,355	249,732	6,449	-	(70,174)	-	(70,174)
Culture and recreation	591,174	323,550	12,692	-	(254,932)	-	(254,932)
Interest	1,041,092	-	-	-	(1,041,092)	-	(1,041,092)
Total Governmental Activities	15,461,965	1,340,562	1,456,716	279,232	(12,385,455)	-	(12,385,455)
Business-Type Activities:							
Water services	539,773	514,532	-	-	-	(25,241)	(25,241)
Sewer services	878,264	959,993	-	-	-	81,729	81,729
Total Business-Type Activities	1,418,037	1,474,525	-	-	-	56,488	56,488
Total	\$ 16,880,002	\$ 2,815,087	\$ 1,456,716	\$ 279,232	(12,385,455)	56,488	(12,328,967)
General Revenues:							
Property taxes					10,207,681	-	10,207,681
Excises					854,687	-	854,687
Penalties, interest and other taxes					466,435	18,490	484,925
Grants and contributions not restricted to specific programs					815,043	-	815,043
Investment income					29,960	-	29,960
Miscellaneous					79,272	2,310	81,582
Total general revenues					12,453,078	20,800	12,473,878
Change in Net Assets					67,623	77,288	144,911
Net Assets:							
Beginning of year					16,946,140	2,993,665	19,939,805
End of year					\$ 17,013,763	\$ 3,070,953	\$ 20,084,716

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

	<u>General</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 617,099	\$ -	\$ 649,600	\$ 1,266,699
Investments	-	586,156	274,460	860,616
Receivables:				
Property taxes	410,035	-	-	410,035
Tax liens and foreclosures	514,973	-	-	514,973
Excises	188,802	-	-	188,802
User fees	107,635	-	43,736	151,371
Intergovernmental	30,055	-	286,621	316,676
Loans	-	-	24,997	24,997
TOTAL ASSETS	\$ 1,868,599	\$ 586,156	\$ 1,279,414	\$ 3,734,169
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 44,384	\$ -	\$ 87,694	\$ 132,078
Accrued payroll and withholdings	122,103	-	-	122,103
Deferred revenues	1,125,915	-	67,211	1,193,126
TOTAL LIABILITIES	1,292,402	-	154,905	1,447,307
Fund Balances:				
Reserved for:				
Encumbrances	149,273	-	-	149,273
Expenditures	19,914	-	-	19,914
Perpetual (nonexpendable) permanent funds	-	-	94,416	94,416
Unreserved:				
Undesignated, reported in:				
General fund	407,010	-	-	407,010
Special revenue funds	-	586,156	657,794	1,243,950
Capital project funds	-	-	289,766	289,766
Permanent funds	-	-	82,533	82,533
TOTAL FUND BALANCES	576,197	586,156	1,124,509	2,286,862
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,868,599	\$ 586,156	\$ 1,279,414	\$ 3,734,169

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total Governmental Fund Balances	\$ 2,286,862
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,283,486
• Revenues are reported on the accrual basis of accounting and are not deferred until collection, and are presented net of an allowance for uncollectibles.	611,050
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(311,961)
• Long-term liabilities, including bonds payable (net of deferred loss on early retirement of debt), notes payable, capital leases, sick leave buy-back, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(24,855,674)</u>
Net Assets of Governmental Activities	<u><u>\$ 17,013,763</u></u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Stabilization</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 10,138,957	\$ -	\$ -	\$ 10,138,957
Excises	798,133	-	-	798,133
Penalties, interest and other taxes	466,435	-	-	466,435
Charges for services	572,310	-	631,508	1,203,818
Intergovernmental	1,949,203	-	596,633	2,545,836
Licenses and permits	114,471	-	-	114,471
Fines and forfeits	8,050	-	-	8,050
Investment income	21,675	5,155	8,285	35,115
Miscellaneous	<u>67,722</u>	<u>-</u>	<u>3,500</u>	<u>71,222</u>
Total Revenues	14,136,956	5,155	1,239,926	15,382,037
Expenditures:				
Current:				
General government	1,377,190	-	79,246	1,456,436
Public safety	1,390,767	-	275,960	1,666,727
Education	7,535,856	-	-	7,535,856
Public works	975,397	-	286,733	1,262,130
Health and human services	96,948	-	229,407	326,355
Culture and recreation	162,785	-	326,432	489,217
Debt service	<u>2,632,628</u>	<u>-</u>	<u>3,800</u>	<u>2,636,428</u>
Total Expenditures	<u>14,171,571</u>	<u>-</u>	<u>1,201,578</u>	<u>15,373,149</u>
Excess (deficiency) of revenues over expenditures	(34,615)	5,155	38,348	8,888
Other Financing Sources (Uses):				
Transfers in	169,943	-	18,716	188,659
Transfers out	<u>(18,716)</u>	<u>(139,443)</u>	<u>(30,500)</u>	<u>(188,659)</u>
Total Other Financing Sources (Uses)	<u>151,227</u>	<u>(139,443)</u>	<u>(11,784)</u>	<u>-</u>
Change in fund balance	116,612	(134,288)	26,564	8,888
Fund Equity, at Beginning of Year	<u>459,585</u>	<u>720,444</u>	<u>1,097,945</u>	<u>2,277,974</u>
Fund Equity, at End of Year	<u>\$ 576,197</u>	<u>\$ 586,156</u>	<u>\$ 1,124,509</u>	<u>\$ 2,286,862</u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances

Total Governmental Funds \$ 8,888

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

Capital outlay purchases	55,921
Depreciation	(1,449,748)

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

147,551

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

Repayments of debt	1,603,455
Amortization effect of refunding	(34,818)

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

26,699

- Some expenses reported in the Statement of Activities, such as sick leave buy-back, other post-employment benefits and capital leases do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

(290,325)

Change in Net Assets of Governmental Activities

\$ 67,623

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 10,096,137	\$ 10,096,137	\$ 10,096,137	\$ -
Excise	893,000	893,000	798,133	(94,867)
Penalties, interest and other taxes	434,300	437,300	466,435	29,135
Intergovernmental	1,834,734	1,834,734	1,863,387	28,653
License, fines, permits and forfeits	112,500	112,500	122,521	10,021
Interest on investments	35,000	35,000	21,675	(13,325)
Departmental fees and miscellaneous	655,900	652,900	640,032	(12,868)
Transfers in	161,943	169,943	169,943	-
Other sources	<u>123,871</u>	<u>145,802</u>	<u>145,802</u>	<u>-</u>
Total Revenues and Other Sources	14,347,385	14,377,316	14,324,065	(53,251)
Expenditures and Other Uses:				
General government	1,533,674	1,524,592	1,436,676	87,916
Public safety	1,433,675	1,455,793	1,393,897	61,896
Education	7,450,040	7,450,040	7,450,040	-
Public works	1,001,751	998,195	974,611	23,584
Health and human services	76,324	91,570	87,798	3,772
Culture and recreation	160,145	165,318	164,427	891
Debt service	2,643,203	2,643,203	2,632,628	10,575
Transfers out	18,716	18,716	18,716	-
Other uses	<u>29,857</u>	<u>29,889</u>	<u>29,889</u>	<u>-</u>
Total Expenditures and Other Uses	<u>14,347,385</u>	<u>14,377,316</u>	<u>14,188,682</u>	<u>188,634</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>135,383</u>	\$ <u>135,383</u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Business-Type Activities Enterprise Funds		Total Business-Type Funds
	Water Fund	Sewer Fund	
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 26,128	\$ 870,925	\$ 897,053
User fees, net of allowance for uncollectibles	62,894	115,804	178,698
Total current assets	89,022	986,729	1,075,751
Noncurrent:			
Capital assets, net of accumulated depreciation	2,203,431	984,701	3,188,132
TOTAL ASSETS	2,292,453	1,971,430	4,263,883
<u>LIABILITIES</u>			
Current:			
Warrants payable	18,842	103,791	122,633
Accounts payable	-	8,765	8,765
Current portion of long-term liabilities:			
Bonds payable	-	40,000	40,000
Notes payable	25,000	47,500	72,500
Total current liabilities	43,842	200,056	243,898
Noncurrent:			
Bonds payable, net of current portion	-	500,000	500,000
Notes payable, net of current portion	25,000	406,150	431,150
Net OPEB obligation	14,231	3,651	17,882
Total noncurrent liabilities	39,231	909,801	949,032
TOTAL LIABILITIES	83,073	1,109,857	1,192,930
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,153,431	581,051	2,734,482
Unrestricted	55,949	280,522	336,471
TOTAL NET ASSETS	\$ 2,209,380	\$ 861,573	\$ 3,070,953

TOWN OF RUTLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds		Total Business-Type Funds
	Water Fund	Sewer Fund	
Operating Revenues:			
Charges for services	\$ 514,532	\$ 959,993	\$ 1,474,525
Other	<u>9,245</u>	<u>11,555</u>	<u>20,800</u>
Total Operating Revenues	523,777	971,548	1,495,325
Operating Expenses:			
Salaries and wages	190,707	48,921	239,628
Operating expenses	141,434	686,618	828,052
Depreciation and amortization	107,118	40,543	147,661
Other	<u>97,459</u>	<u>70,587</u>	<u>168,046</u>
Total Operating Expenses	<u>536,718</u>	<u>846,669</u>	<u>1,383,387</u>
Operating Income (Loss)	(12,941)	124,879	111,938
Nonoperating Revenues (Expenses):			
Interest expense	<u>(3,055)</u>	<u>(31,595)</u>	<u>(34,650)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(3,055)</u>	<u>(31,595)</u>	<u>(34,650)</u>
Change in Net Assets	(15,996)	93,284	77,288
Net Assets at Beginning of Year	<u>2,225,376</u>	<u>768,289</u>	<u>2,993,665</u>
Net Assets at End of Year	<u>\$ 2,209,380</u>	<u>\$ 861,573</u>	<u>\$ 3,070,953</u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Funds		Total Business-Type Funds
	Water Fund	Sewer Fund	
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 515,204	\$ 951,187	\$ 1,466,391
Payments to vendors and employees	<u>(422,638)</u>	<u>(789,615)</u>	<u>(1,212,253)</u>
Net Cash Provided By Operating Activities	92,566	161,572	254,138
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Purchase of fixed assets	(57,976)	(136,480)	(194,456)
Principal payments on bonds and notes	(15,000)	(84,500)	(99,500)
Interest payments	<u>(3,055)</u>	<u>(31,595)</u>	<u>(34,650)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(76,031)</u>	<u>(252,575)</u>	<u>(328,606)</u>
Net Change in Cash and Short-Term Investments	16,535	(91,003)	(74,468)
Cash and Short Term Investments, Beginning of Year	<u>9,593</u>	<u>961,928</u>	<u>971,521</u>
Cash and Short Term Investments, End of Year	\$ <u><u>26,128</u></u>	\$ <u><u>870,925</u></u>	\$ <u><u>897,053</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>			
Operating income/(loss)	\$ (12,941)	\$ 124,879	\$ 111,938
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	107,118	40,543	147,661
Other post employment benefits	14,231	3,651	17,882
Changes in assets and liabilities:			
User fees	(8,573)	(20,361)	(28,934)
Warrants and accounts payable	<u>(7,269)</u>	<u>12,860</u>	<u>5,591</u>
Net Cash Provided By Operating Activities	\$ <u><u>92,566</u></u>	\$ <u><u>161,572</u></u>	\$ <u><u>254,138</u></u>

See notes to financial statements.

TOWN OF RUTLAND, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ 46,718
Departmental receivable	<u>3,022</u>
Total Assets	\$ <u>49,740</u>
<u>LIABILITIES</u>	
Warrants payable	\$ 750
Deposits held in custody	43,625
Other liabilities	<u>5,365</u>
Total Liabilities	\$ <u>49,740</u>

See notes to financial statements.

Town of Rutland, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2010, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *stabilization fund*, an account authorized by Massachusetts General Laws Chapter 40, Section 5B, from which the Town can appropriate from for any legal purpose.

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

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

The government reports the following major proprietary funds:

- The *water enterprise fund*, which accounts for operations of the Town's water delivery system.
- The *sewer fund* is reported by the Town as a special revenue fund; however, it is considered an enterprise fund under the criteria established by GASB, since rates are formulated to fund all expenditures, including all of its own debt/depreciation expense. Accordingly, it is reported as a major business-type fund under the GASB Statement #34 reporting model.

D. Cash and Short-Term Investments

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

funds segregate cash, and investment earnings become a part of those funds.

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

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

E. Investments

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

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

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2010 tax levy reflected an excess capacity of \$ 3,956.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 to \$ 25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or

estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Machinery, vehicles and equipment	5 - 15
Water/sewer infrastructure	50
General infrastructure	40

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

K. Use of Estimates

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

2. **Stewardship, Compliance and Accountability**

A. Budgetary Information

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

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

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

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 14,136,956	\$ 14,171,571
Other financing sources/uses (GAAP basis)	169,943	18,716
Adjust tax revenue to accrual basis	(42,820)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(94,951)
Add end of year appropriation carryforwards to expenditures	-	149,273
To reverse the effect of non-budgeted State contributions for teachers retirement	(85,816)	(85,816)
Recognize use of fund balance as funding source/use	<u>145,802</u>	<u>29,889</u>
Budgetary basis	\$ <u><u>14,324,065</u></u>	\$ <u><u>14,188,682</u></u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits “in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking

company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2010, \$ 26,242 of the Town’s bank balance of \$ 2,216,377 was exposed to custodial credit risk as uninsured or uncollateralized.

4. **Investments**

A. Credit Risk

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

Presented below is the actual rating as of year end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>AA+</u>
Certificates of deposits	\$ 202,301	\$ 202,301	\$ -	\$ -
Corporate equities	379	379	-	-
Federal agency securities	584,422	-	584,422	-
Asset-backed securities	2,647	-	2,647	-
Corporate bonds	53,304	-	-	53,304
Mutual funds	17,563	17,563	-	-
Total investments	<u>\$ 860,616</u>	<u>\$ 220,243</u>	<u>\$ 587,069</u>	<u>\$ 53,304</u>

B. Custodial Credit Risk

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

The government has no custodial credit risk exposure because the securities are insured, registered and held by the Town’s brokerage firm, in the Town’s name.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

General Electric Corp Bond	\$ 53,304
CitiBank Salt Lake City CD	50,325
State Bank New York CD	101,407
Capmark Bank CD	50,569

D. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>N/A</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less than 1 year</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposit	\$ 202,301	\$ -	\$ 202,301	\$ -	\$ -
Corporate equities	379	379	-	-	-
Federal agency securities	584,422	-	-	438,001	146,421
Asset-backed securities	2,647	-	2,647	-	-
Corporate bonds	53,304	-	53,304	-	-
Mutual funds	17,563	17,563	-	-	-
Total	<u>\$ 860,616</u>	<u>\$ 17,942</u>	<u>\$ 258,252</u>	<u>\$ 438,001</u>	<u>\$ 146,421</u>

E. Foreign Currency Risk

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

5. Taxes Receivable

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

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

Taxes receivable at June 30, 2010 consist of the following:

Real Estate		
2010	\$ 311,464	
2009	79,239	
2008	<u>492</u>	
		391,195
Personal Property		
2010	3,075	
2009	1,844	
2008	1,895	
2007	1,288	
2006 and prior	<u>10,738</u>	
		<u>18,840</u>
Total		<u>\$ 410,035</u>

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes - current	\$ 20,205	\$ -
Property taxes - non-current	465,294	-
Excises	38,218	-
User fees (ambulance)	16,145	-
Utilities	-	10,867

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2010.

8. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a State-sponsored Title V loan program.

9. Deferred Loss on Early Retirement of Debt

This balance represents the unamortized net increase in long-term debt outstanding resulting from the Town's issuance of refunding bonds in fiscal year 2009. The balance will be amortized (as interest expense of \$ 34,818) over the next 9 years.

10. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 41,534,249	\$ 599,972	\$ -	\$ 42,134,221
Machinery, equipment, vehicles and furnishings	5,901,129	55,921	-	5,957,050
Infrastructure	2,367,426	-	-	2,367,426
Total capital assets, being depreciated	49,802,804	655,893	-	50,458,697
Less accumulated depreciation for:				
Buildings and improvements	(7,469,117)	(1,053,361)	-	(8,522,478)
Machinery, equipment and furnishings	(3,803,343)	(337,197)	-	(4,140,540)
Infrastructure	(300,845)	(59,190)	-	(360,035)
Total accumulated depreciation	(11,573,305)	(1,449,748)	-	(13,023,053)
Total capital assets, being depreciated, net	38,229,499	(793,855)	-	37,435,644
Capital assets, not being depreciated:				
Land	1,847,842	-	-	1,847,842
Construction in progress (CIP)	599,972	-	(599,972)	-
Total capital assets, not being depreciated	2,447,814	-	(599,972)	1,847,842
Governmental activities capital assets, net	\$ 40,677,313	\$ (793,855)	\$ (599,972)	\$ 39,283,486

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,161,121	\$ 57,976	\$ -	\$ 3,219,097
Machinery, equipment and furnishings	287,081	-	-	287,081
Infrastructure	<u>1,524,056</u>	<u>136,479</u>	<u>-</u>	<u>1,660,535</u>
Total capital assets, being depreciated	4,972,258	194,455	-	5,166,713
Less accumulated depreciation for:				
Buildings and improvements	(984,184)	(90,740)	-	(1,074,924)
Machinery, equipment and furnishings	(182,022)	(27,457)	-	(209,479)
Infrastructure	<u>(664,714)</u>	<u>(29,464)</u>	<u>-</u>	<u>(694,178)</u>
Total accumulated depreciation	<u>(1,830,920)</u>	<u>(147,661)</u>	<u>-</u>	<u>(1,978,581)</u>
Business-type activities capital assets, net	<u>\$ 3,141,338</u>	<u>\$ 46,794</u>	<u>\$ -</u>	<u>\$ 3,188,132</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 18,921
Public safety	204,392
Education	949,254
Public works	175,224
Culture and recreation	<u>101,957</u>
Total depreciation expense - governmental activities	<u>\$ 1,449,748</u>
Business-Type Activities:	
Water	\$ 107,118
Sewer	<u>40,543</u>
Total depreciation expense - business-type activities	<u>\$ 147,661</u>

11. Warrants and Accounts Payable

Warrants payable represent 2010 expenditures paid by July 15, 2010 as permitted by law. Accounts payable represent additional 2010 expenditures paid after July 15, 2010.

12. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2010 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections and prepaid taxes.

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in year 2012. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2010:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2011	\$ 19,913
	2012	<u>19,913</u>
Total minimum lease payments		39,826
Less amounts representing interest		<u>(3,819)</u>
Present Value of Minimum Lease Payments		<u>\$ 36,007</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Bonds Payable -</u>	<u>Serial</u>	<u>Interest</u>	<u>Amount</u>
<u>Governmental Activities:</u>	<u>Maturities</u>	<u>Rate(s)%</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>June 30, 2010</u>
Purchase property, refunded	2/1/14	3.14	\$ 45,800
Fire truck, refunded	2/1/14	3.14	123,000
School construction, refunded	2/1/19	3.14	9,158,200
Building renovation	10/15/23	4.29	580,000
Elementary school land	10/15/23	4.29	580,000
Title V	8/1/24	0.0	34,987
Elementary school construction	10/15/25	4.29	7,440,000
Library	11/14/40	5	2,466,092
Public safety building	4/22/42	4.375	2,542,761
DPW building	4/22/42	4.375	<u>1,450,078</u>
Total Bonds Payable - Governmental Activities			\$ 24,420,918
<u>Bonds Payable -</u>			
<u>Business-Type Activities:</u>			
Sewer repairs	10/15/23	4.29	\$ <u>540,000</u>
Total Bonds Payable - Business-Type Activities:			<u>540,000</u>
Total Bonds Payable			<u>\$ 24,960,918</u>

	Intended Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2010
<u>Notes Payable -</u> <u>Governmental Activities</u>			
Ambulance	2013	1.65	\$ 70,000
Fire apparatus	2023	1.65	295,000
Total Notes Payable - Governmental Activities			\$ 365,000
<u>Notes Payable -</u> <u>Business-Type Activities *</u>			
Water improvements	2012	4.7	\$ 50,000
Sewer repairs	2026	1.65	403,650
Sewer repairs	2012	4.7	50,000
Total Notes Payable - Business-Type Activities			503,650
Total Notes Payable			\$ 868,650

* These borrowing purposes were combined into one State House note intended to finance these projects over varying periods of time. In May 2005, the Town issued permanent anticipation notes, all of which will mature in 2012.

B. State Revolving Loan

The U.S. Environmental Protection Agency sponsors a low interest rate loan program. The loans are administered by the Massachusetts Water Pollution Abatement Trust (MWPAT) and are used by local communities to improve their sewer systems.

C. Future Debt Service

The annual payments to retire all general obligation bonds payable outstanding as of June 30, 2010 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,568,607	\$ 955,831	\$ 2,524,438
2012	1,600,952	901,911	2,502,863
2013	1,640,498	846,222	2,486,720
2014	1,678,251	788,539	2,466,790
2015	1,670,227	727,097	2,397,324
2016 - 2020	7,797,592	2,667,408	10,465,000
2021 - 2023	3,485,895	1,543,392	5,029,287
2026 - 2030	1,518,131	951,902	2,470,033
Thereafter	3,460,765	1,090,466	4,551,231
Total	\$ 24,420,918	\$ 10,472,768	\$ 34,893,686
<u>Business-Type</u>			
2011	\$ 40,000	\$ 22,869	\$ 62,869
2012	40,000	21,369	61,369
2013	40,000	19,819	59,819
2014	40,000	18,219	58,219
2015	40,000	16,419	56,419
2016 - 2020	200,000	53,669	253,669
Thereafter	140,000	12,272	152,272
Total	\$ 540,000	\$ 164,636	\$ 704,636

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/2009</u>	Additions	Reductions	Total Balance <u>6/30/2010</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/2010</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 25,941,373	\$ -	\$ (1,520,455)	\$ 24,420,918	\$ (1,568,607)	\$ 22,852,311
Other:						
Notes payable	448,000	-	(83,000)	365,000	(45,000)	320,000
Sick leave buy back	92,795	15,818	-	108,613	(20,441)	88,172
Capital lease	-	55,920	(19,913)	36,007	(17,395)	18,612
Other post-employment	-	238,500	-	238,500	-	238,500
Totals	<u>\$ 26,482,168</u>	<u>\$ 310,238</u>	<u>\$ (1,623,368)</u>	<u>\$ 25,169,038</u>	<u>\$ (1,651,443)</u>	<u>\$ 23,517,595</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 580,000	\$ -	\$ (40,000)	\$ 540,000	\$ (40,000)	\$ 500,000
Other:						
Notes payable	563,150	-	(59,500)	503,650	(72,500)	431,150
Other post-employment	-	17,882	-	17,882	-	17,882
Totals	<u>\$ 1,143,150</u>	<u>\$ 17,882</u>	<u>\$ (99,500)</u>	<u>\$ 1,061,532</u>	<u>\$ (112,500)</u>	<u>\$ 949,032</u>

15. Sick Leave Buy Back

The Town has entered into an agreement with Wachusett Regional School District to pay sick leave buy-back benefits to certain former employees of the Town, who became employees of the School District. Benefits are paid upon the employee's retirement. Presently, the Town has obligations to fund costs relating to the sick leave buy-back agreement for 8 school employees.

16. Restricted Net Assets

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

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

17. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2010:

Reserved for Encumbrances - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

18. Subsequent Events

Enterprise Funds

During a special town meeting held in April 2010, the Town voted to establish a Municipal Sewer Enterprise fund under the provisions of Massachusetts General Laws chapter 44, Section 53 F ½, to be effective July 1, 2011.

Debt

Subsequent to June 30, 2010, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Water Tank Design Note	\$ 98,500	1.04%	05/06/11	05/06/12
Snow Removal Equipment	115,000	1.04%	05/06/11	05/06/12
Fire Apparatus	436,000	1.04%	05/06/11	05/06/12

19. Commitments and Contingencies

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

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

20. Pension Plan

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

A. Plan Description

The Town contributes to the Worcester County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The System issues a publicly available financial report which can be obtained through the Worcester County Retirement System at 2 Main Street, Worcester, Massachusetts.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2010, 2009, and 2008 were \$ 269,153, \$ 246,470, and \$ 206,204, respectively, which were equal to its annual required contributions for each of these years.

In fiscal year 2010, the Commonwealth of Massachusetts contributed \$ 85,816 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

21. Post-Employment Health Care and Life Insurance Benefits

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

A. Plan Description

In addition to providing the pension benefits described in a previous footnote, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2009, the actuarial valuation date, approximately 13 retirees and 37 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2010 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year

ending June 30, 2010, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2009.

Annual Required Contribution (ARC)	\$ 317,944
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	317,944
Contributions made	61,562
Increase in net OPEB obligation	256,382
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 256,382

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 317,944	19%	\$ 256,382

The Town's net OPEB obligation as of June 30, 2010 is recorded as a long-term liability in the statement of net assets.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 2,786,515
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 2,786,515
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

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

required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the July 1, 2009 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 11% which decreases to a 5% long-term rate for all healthcare benefits after 7 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.5%.

22. Risk Management

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

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

June 30, 2010

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/09	\$ -	\$ 2,786,515	\$ 2,786,515	0.0%	not available	N/A

See Independent Auditors' Report.



Melanson Heath & Company, PC

Certified Public Accountants

Management Advisors

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Selectmen
Town of Rutland, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rutland, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 13, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Additional Offices:

B-42 Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

10-1 COMPLY WITH MASSACHUSETTS GENERAL LAWS CHAPTER 30B (COMPLIANCE FINDING)

As in the prior year, we found that the Town did not meet the documentation requirements of Massachusetts General Laws Chapter 30B. MGL Chapter 30B requires that purchases of \$ 5,000 to \$ 25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of \$ 25,000 or more be subject to a formal bidding process. If the purchase is obtained through the State's bid list, documentation that the vendor and goods or services are on the list should be retained as evidence that procurement procedures were followed.

In fiscal year 2010, we found one instance of consulting services over \$ 5,000 that were solicited for the Dispatch department, based apparently on a state bid. The only procurement documentation provided, however, was from the vendor, stating that they had a State contract. The Town should not rely solely on a vendor statement and should verify that the vendor selected is included on the State bid list for the goods or services solicited, for the correct period of time and that the price charged agreed to the bid list.

In another instance, no procurement documentation was provided for the purchase of computers totaling \$ 5,922.

We recommend that the Town implement procedures to ensure that procurement requirements are met by requiring that a form documenting compliance be submitted with invoices. We understand that such a form exists in the Accounting Office and is used by some departments. Consistent use of this form will help ensure that all applicable purchases of goods and services are in compliance with Chapter 30B.

We noted certain other matters that we reported to management of the Town in a separate letter dated September 13, 2011.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson Heath + Company P.C.

Greenfield, Massachusetts
September 13, 2011



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edwardswildman.com

(Date of Delivery)

Sally M. Hayden, Treasurer
Town of Rutland
Rutland, Massachusetts

\$3,238,500
Town of Rutland, Massachusetts
General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds
Dated February 1, 2012

We have acted as bond counsel to the Town of Rutland, 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. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.
3. 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 5 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. 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.

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

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

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

Edwards Wildman Palmer LLP

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**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Rutland, Massachusetts (the “Issuer”) in connection with the issuance of its \$3,238,500 General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds dated February 1, 2012 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated _____, 2012 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 (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

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

SECTION 5. Reporting of Significant Events.

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

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

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

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Issuer determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

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

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of

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

the Bonds[, prior redemption] or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond 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: _____, 2012

TOWN OF RUTLAND,
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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This form is provided for the convenience of bidders but its use is not required

**PROPOSAL FOR
\$3,238,500
TOWN OF RUTLAND, MASSACHUSETTS
GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2012 BONDS**

Ms. Sally M. Hayden, Treasurer
Town of Rutland
c/o UniBank Fiscal Advisory Services, Inc.
49 Church Street
Whitinsville, Massachusetts 01588

January 19, 2012

Dear Ms. Hayden:

Subject to the provisions and in accordance with the terms of the Notice of Sale dated January 10, 2012 which is hereby made a part of this proposal, we hereby offer to purchase all of the \$3,238,500 General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds, Book-Entry-Only, dated February 1, 2012, of the Town of Rutland, Massachusetts described in said Notice of Sale, and to pay therefore the price of \$3,238,500 plus a premium of \$_____ (not less than \$51,816), plus interest accrued on said Bonds to the date of their delivery, provided that the Bonds maturing in the several years set forth below shall bear interest from their dated date until maturity at the respective rates per annum stated in the following table:

<u>Year</u>	<u>Rate*</u>	<u>Year</u>	<u>Rate*</u>	<u>Year</u>	<u>Rate*</u>	<u>Year</u>	<u>Rate*</u>
2012		2017		2022		2027	
2013		2018		2023		2028	
2014		2019		2024		2029	
2015		2020		2025		2030	
2016		2021		2026		2031	

* Complete for maturing serial bonds.

TERM BOND

\$_____ Term Bond maturing on September 1, _____, at _____% per annum
\$_____ Term Bond maturing on September 1, _____, at _____% per annum
\$_____ Term Bond maturing on September 1, _____, at _____% per annum

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

By _____

The following is our computation of the true interest cost and percent true interest cost, made as provided in the above mentioned Notice of Sale, but not constituting any part of the foregoing proposal, of the purchase of \$3,238,500 General Obligation State Qualified Municipal Purpose Loan of 2012 Bonds under the foregoing proposal:

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

UniBank Fiscal Advisory Services, Inc. will assist in submitting bids on this issue if desired. Please sign a blank bid form and mail it in advance of the sale to Clark H. Rowell at the above address or fax it to (508) 234-1938. UniBank Fiscal Advisory Services, Inc. will act as agent for bidders if they will telephone final figures to (508) 849-4224 approximately one-half hour before the sale. Bidders are responsible for any errors in bids submitted in this manner.