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INVESTORS SERVICE

New Issue: **MOODY'S ASSIGNS Aa3 TO TOWN OF EASTON'S (MA) $1.3 MILLION GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

Global Credit Research - 05 Apr 2011

AFFIRMS Aa3 RATING ON $35.3 MILLION OUTSTANDING GO DEBT

Easton (Town of) MA
Municipality
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2011 Bonds	Aa3

Sale Amount	$1,300,000
Expected Sale Date	04/04/11
Rating Description	General Obligation

Opinion

NEW YORK, Apr 5, 2011 -- Moody's Investors Service has assigned a Aa3 rating to the Town of Easton's (MA) $1.3 million General Obligation Municipal Purpose Loan of 2011 Bonds. Concurrently, Moody's has affirmed the Aa3 rating on the town's outstanding $35.3 million long-term general obligation bonds. The current issue is secured by the town's general obligation limited tax pledge, as debt service has not been voted exempt from the levy limits of Proposition 2 ½; proceeds will be used to finance various capital improvements.

SUMMARY RATINGS RATIONALE

The Aa3 rating incorporates the town's satisfactory financial operations, moderately-sized tax base and manageable debt burden.

STRENGTHS:

-Stable, mature tax base

-Manageable debt burden

CHALLENGES:

- Reliance on reserves to address budget gaps

-Significant liabilities for pension and OPEB

-Minimal property tax levy capacity under Proposition 2 1/2

DETAILED CREDIT DISCUSSION

SATISFACTORY FINANCIAL POSITION

Moody's believes the town's financial position will remain satisfactory but may continue to narrow as a result of state aid cuts and rising expenditure pressures. Available reserves, which are comprised of the town's unreserved General Fund balance and its Stabilization Fund, amounted to $4.2 million at fiscal 2009 year-end (or a satisfactory 6.7% of General Fund revenues), down from $4.7 million in fiscal 2007 (or a more ample 7.9% of revenues). During fiscal 2009, the town received a mid-year reduction in state aid ($265,000), witnessed other economically-sensitive revenues underperform relative to budget, resulting in a decline to the town's reserve levels.

In fiscal 2010 the town's total General Fund balance increased by approximately $600,000 to $3.7 million or 5.6% of General Fund revenues. The town's total General Fund balance includes a $172,883 reserve for debt service, which has declined from $1.1 million in fiscal 2007 in line with management's intentions, but $2.4 million remains unreserved. Adding to available reserves is the town's Stabilization fund ($2.4 million at fiscal 2010 year-end) .

The town's fiscal 2011 operating budget increased by approximately 3% from the previous year and is balanced with an appropriation of $1.3 million of free cash. The town projects to end 2011 with a modest surplus. The town's fiscal 2012 budget is expected to increase by 3.3%, and is balanced with a $1.3 million fund balance appropriation. The budget includes a conservative 7.5% reduction in state aid; aid from the Commonwealth accounts for approximately 28% of the town's revenues and therefore presents an area of vulnerability. Moody's will continue to monitor the state's impact on Easton's financial flexibility and future rating reviews will factor in the town's ability to maintain structural balance while maintaining, at minimum, reserves in step with budgetary growth.

FLAT TO MODEST VALUE DECLINES EXPECTED IN MODERATELY SIZED TAX BASE

Located 24 miles south of Boston (G.O. rated Aaa/stable outlook), this predominantly residential (87% of assessed valuation) community has land available for development, and management reports modest increases in single family home construction. Indicative of this trend, Easton's fiscal 2011 new growth levy was $380,307, and is budgeted to increase to $400,000 in fiscal 2012, still down more than 60% from over $1 million in 2006. In fiscal 2011 assessed values declined by 3.9% from 2010, which may continue into 2012 given the impact of the recession.

However, Easton has adjusted its tax rate annually to maximize property tax levy growth of 2.5% as provided by Proposition 2 ½. Wealth and income levels are healthy, with per capita income equal to 118.4% and 142.4% of commonwealth and national medians, respectively, and equalized value per capita is solid at $140,295.

MANAGEABLE DEBT BURDEN

Moody's expects the town's average debt burden (1.2% of equalized value) will remain manageable given a reasonable rate of principal amortization (75.4% repaid within 10 years) and modest additional borrowing plans. When self-supporting water enterprise debt and state support for school construction are incorporated, the town's adjusted debt burden declines to a more favorable 1.1% of equalized valuation. All of the town's debt is fixed rate and the town is not party to any derivative agreements and the town does not have any additional borrowing plans in the near future.

WHAT COULD MAKE THE RATING CHANGE UP

-- Improved financial position through an established trend of structurally balanced operations and augmentation of reserves

WHAT COULD MAKE THE RATING CHANGE DOWN

-- Protracted structural budget imbalance

-- Depletion of General Fund balance and other available reserves

-- Deterioration of the town's tax base

KEY STATISTICS:

2008 Population: 23,209

2011 Equalized valuation: $3.2 billion

2011 Equalized value per capita: $140,295

Direct debt burden: 1.2%

Overall debt burden (adjusted for state aid and self-supporting): 2.3% (1.1%)

Payout of principal (10 years): 75.4%

Fiscal 2010 Available Reserves: $4.9 million (7.4% of revenues)

Post-sale long-term General Obligation debt outstanding: $36.6 million

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Analysts

Tiphany J. Lee
Analyst
Public Finance Group
Moody's Investors Service

Susan Kendall
Backup Analyst
Public Finance Group
Moody's Investors Service

Geordie Thompson

Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service
250 Greenwich Street
New York, NY 10007
USA