

FINAL OFFICIAL STATEMENT DATED MAY 2, 2018NEW ISSUE

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Notes will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. Under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “Tax Exemption” herein. The Notes will NOT be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

TOWN OF TOPSFIELD, MASSACHUSETTS***\$14,217,292 GENERAL OBLIGATION BOND ANTICIPATION NOTES****Dated: May 11, 2018**Due: May 10, 2019*

<u>Number</u>	<u>Amount</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
1	\$14,217,292	3.00%	1.85%	890788GM8

JEFFERIES
Purchaser

The provisions of the accompanying document entitled “NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT” dated April 25, 2018 as supplemented and modified hereby, are incorporated in and made a part of this Final Official Statement.

NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED APRIL 25, 2018

TOWN OF TOPSFIELD, MASSACHUSETTS

NOTICE OF SALE

The Town of Topsfield (the “Town”), Massachusetts, will receive electronic bids via **PARITY/i-Deal™**, telephone bids at 617-235-8106 or 617-235-8104 or fax bids at 617-235-8110 until 11:00 A.M. (Eastern Daylight Time) on Wednesday, May 2, 2018, for the purchase of the following notes of the Town (the “Notes”):

\$14,217,292 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: May 11, 2018

Due: May 10, 2019

Unless the delivery of a fully registered note certificate for each different interest rate bid is requested by the winning bidder for all of the Notes, and the issuance of such certificate or certificates is approved by the Town, the Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000 or integral multiples thereof (except for one principal amount of \$1,292), and transfer of ownership effected on the records of The Depository Trust Company (“DTC”) and its Participants (See Book-Entry Transfer System herein).

Principal and interest on the Notes will be payable upon maturity in Federal Reserve funds at U.S. Bank National Association, as Paying Agent (the “Paying Agent”). Interest on the Notes will be computed on a 30-day month, 360-day year basis.

The Notes will be offered with the legal opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town and an Official Statement prepared by Eastern Bank, Financial Advisor to the Town.

Electronic proposals will be submitted through **PARITY/i-Deal™**. If any provisions in this Notice of Sale conflict with information provided by **PARITY/i-Deal™**, this Notice of Sale shall control. Further information about **PARITY**, including any fees charged, may be obtained from **i-Deal** at (212) 404-8102. The Town assumes no responsibility or liability for bids submitted in this manner. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes 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.

Bidders may submit bids for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) or one-eighth (1/8) of one percent (1%). **Bids submitted for all the Notes or any portion thereof must include a premium of not less than \$2.16 per \$1,000.** The award of the Notes or a portion thereof will be to the bidder or bidders who offers to purchase all of the Notes or a portion thereof at the lowest net interest cost, such cost under each bid to be determined by computing the total amount of interest payable on the Notes, computed on a 30/360 day basis, subtracting therefrom the premium to be paid for said Notes or a portion thereof. In the event a bidder offering a premium for the Notes is awarded a lesser amount of Notes than bid, the premium shall be reduced proportionately. The Notes will be issued without the option of prior redemption.

The successful bidder for all or a portion of the Notes may request that such Notes be issued in the form of one fully registered physical certificate for each different interest rate bid, rather than in book-entry form through the facilities of The Depository Trust Company. The successful bidder seeking the issuance of Notes in this manner shall bear any and all costs of any re-registration or transfer of Notes from time to time. Any bidder seeking to have Notes issued in the form of fully registered physical certificates, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the winning bid. The Town reserves the right to decline any request to issue Notes in non-book entry form if it should determine, in its sole discretion, that issuing any of the Notes in this manner is not in its best interests.

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 bid.

The award of the Notes to the winning bidders will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Eastern Bank by not later than 1:00 P.M. (local time) on the date of sale.

The successful bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering price to the public or the actual sale price of the Notes, together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by Eastern Bank (“Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) have been satisfied, and the successful bidder intends to reoffer the Notes to the public, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Notes to the bidder who submitted a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by facsimile or email to the Financial Advisor (617-235-8110 or l.lombard@easternbank.com) or in its bid submitted via Parity, that it will not be an “underwriter” (as defined below) of the Notes, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Notes, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Notes to the public.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Notes to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the successful bidder, at its option, may use the first price at which 10% of a maturity of the Notes (the “10% test”) is sold to the public as the issue price of that maturity of the Notes. Any successful bidder shall advise the Financial Advisor if the 10% test is satisfied as of the date and time of the award of the Notes.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Notes or all of the Notes are sold to the public, any successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Notes have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The successful bidder shall be obligated to report each sale of Notes to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes of that maturity or all of the Notes have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Notes of that maturity or that all of the Notes have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the public), and
3. a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements — Option B — The Successful Bidder Intends to Reoffer the Notes to the Public and Agrees to Hold the Price of Maturities of Notes for Which the 10% Test in Option A Is Not Met as of the Sale Date. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. local time on the Sale Date, that it has not sold 10% of the maturities of the Notes listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Issuer on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Notes, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Option C – The Successful Bidder Does Not Intend to Reoffer the Notes to the Public. If the successful bidder has purchased the Notes for its own account and will not distribute or reoffer the Notes to the public, whether or not the competitive sale requirements are met, the reoffering price certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

It shall be a condition of the obligation of the successful bidder to accept delivery of and pay for the Notes that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Notes 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 Notes or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that to the best of the signer's knowledge and belief, the Preliminary Official Statement, as of its date and as of the date of sale, and the Official Statement referred to below, both as of its date and as of the date of delivery of the Notes, did not and does not contain any untrue statement of a material fact and did not 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 Significant Events Certificate in the form described in the Preliminary Official Statement.

The Notes, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town, will be delivered DTC FAST on or about May 11, 2018, against payment in Federal Reserve funds.

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

The initial purchaser will be furnished the opinion of Locke Lord LLP, Boston, Massachusetts, approving the legality of the Notes. The opinion will state that the Notes are valid general obligations of the Town and that, except to the extent they are paid from the bonds in anticipation of which they are issued or from other available moneys, the principal and interest of the Notes are payable from taxes which may be levied without limit as to rate or amount upon all taxable property in the Town, subject to the limits imposed by Chapter 59, Section 21C of the General Laws except for the those Notes which are payable from taxes which may be levied upon all taxable property located in the Town, without limitation as to rate or amount except as provided under Chapter 44, Section 20 of the General Laws. Interest on the Notes is exempt from Massachusetts personal income taxes and is excludable from gross income for federal income tax purposes. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source.

The Notes will NOT be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

If issued through the facilities of DTC, it is anticipated that CUSIP identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town. However, the Town assumes no responsibility for any CUSIP Service Bureau or other charges that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Topsfield and the Notes is contained in the Preliminary Official Statement dated April 25, 2018, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not deemed a part of this Notice of Sale. The Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering prices, interest rates and any other terms of the Notes depending on such matters and the identity of the original purchasers. Copies of the Preliminary Official Statement may be obtained from Lori E. Lombard, Vice President, Eastern Bank, 265 Franklin Street, 3rd floor, Boston, MA 02110, telephone (617) 235-8106. Within seven (7) business days following award of the Notes in accordance herewith, no more than 10 copies of a Final Official Statement will be furnished to the successful bidder.

Town of Topsfield, Massachusetts

By: /s/ Barbara Michalowski, Town Treasurer

Dated: April 25, 2018

[Issue Price Certificate for Use If the Competitive Sale Requirements Are Met]

Town of Topsfield, Massachusetts

\$14,217,292 General Obligation Bond Anticipation Notes dated May 11, 2018

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the Town of Topsfield, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by the Successful Bidder in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Notes.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Notes.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is May 2, 2018.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

3. Receipt. The Successful Bidder hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidders interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 20__

[NAME OF SUCCESSFUL BIDDER]

By: _____

Name:

Title:

SCHEDULE A
EXPECTED OFFERING PRICES
(To Be Attached)

SCHEDULE B
COPY OF SUCCESSFUL BIDDER'S BID
(To Be Attached)

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Not Used]**

**Town of Topsfield, Massachusetts
\$14,217,292 General Obligation Bond Anticipation Notes dated May 11, 2018**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____, (the “[Successful Bidder][Representative]”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”) of the Town of Topsfield, Massachusetts (the “Issuer”).

1.Sale of the Notes. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Notes have not been sold for one or more Maturities of Notes as of the Closing Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Notes, until at least 10% of each such Maturity of the Notes is sold to the Public (the “10% test”) or all of the Notes are sold to the Public, the [Successful Bidder][Representative] agrees to promptly report to the Issuer’s financial advisor, Eastern Bank (the “Financial Advisor”) the prices at which the unsold Notes of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Notes or until all the Notes of a Maturity have been sold. The [Successful Bidder][Representative] shall continue to report each sale of Notes to the Financial Advisor until notified by email or in writing by the State or the Financial Advisor that it no longer needs to do so.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

3.Receipt. The [Successful Bidder][Representative] hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the Notes, which certificates, opinions, and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder][Representative]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 20__

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: _____

Name:

Title:

SALE PRICES
(To be Attached)

SCHEDULE A

**[Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Used]**

**Town of Topsfield, Massachusetts
\$14,217,292 General Obligation Bond Anticipation Notes dated May 11, 2018**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the (“[Successful Bidder]”)[Representative]”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]]hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Notes”) of the Town of Topsfield, Massachusetts (the “Issuer”).

1.Sale of the Notes. As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Notes as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Notes, the [Successful Bidder] [Representative] and any other Underwriter did not [and will not] reoffer the Unsold Maturities until the earlier of (i) _____, 20__ or (ii) the date on which the [Successful Bidder] [Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the [Successful Bidder] [Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

3.Receipt. The [Successful Bidder] [Representative] hereby acknowledges receipt of the Notes and further acknowledges receipt of all certificates, opinion and other documents required to be delivered to the [Successful Bidder] [Representative], before or simultaneously with the delivery of the Notes, which certificates, opinions and other documents are satisfactory to the [Successful Bidder] [Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s] [Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Dated: _____, 20__

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____

Name:

Title:

SCHEDULE A

SALE PRICES

(To be Attached)

CONTACT INFORMATION:

ISSUER

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Topsfield, MA 01983

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Email: bmichalowski@topsfield-ma.gov

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E-Mail: Richard.Manley@lockelord.com

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Lori Lombard

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Fax: 617-235-8110

E-Mail: l.lombard@easternbank.com

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U.S. Bank National Association.
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Boston, MA 02110

Donald Higgins

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Fax: 617-603-6668

Email: donald.higgins@usbank.com

OFFICIAL STATEMENT

TOWN OF TOPSFIELD, MASSACHUSETTS GENERAL OBLIGATION BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Topsfield, Massachusetts (the “Town”) in connection with the sale of the following:

\$14,217,292 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: May 11, 2018

Due: May 10, 2019

Principal and interest on the Notes will be payable upon maturity in Federal Reserve funds at U.S. Bank National Association, Boston, Massachusetts, as “paying agent”. The Notes will be delivered DTC FAST, unless the delivery of a fully registered note certificate for each different interest rate bid is requested by the winning bidder for all or a portion of the Notes and the issuance of such certificate or certificates is approved by the Town, on or about May 11, 2018, against payment in federal reserve funds.

The Notes will be offered with the legal opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town and an Official Statement prepared on behalf of the Town by Eastern Bank, Financial Advisor to the Town.

If issued through the facilities of The Depository Trust Company (“DTC”), New York, NY, it is anticipated that CUSIP identification number(s) will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on Notes shall be paid for by the purchaser(s). The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for assignment of such numbers

The Notes 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. Principal and interest of the Notes are payable from taxes which may be levied without limit as to rate or amount upon all taxable property in the Town, subject to the limits imposed by Chapter 59, Section 21C of the General Laws with respect to that portion of the Notes that the Town did not vote to exempt from such limits, and 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 Notes that the Town has voted to exclude from such limits.

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Barbara Michalowski, Treasurer, Town of Topsfield, Massachusetts, (978) 887-1511; or Lori E. Lombard, Vice President, Eastern Bank, Boston, Massachusetts (617) 235-8106. The information contained herein has been obtained from the sources indicated or from the Town.

THE NOTES

The \$14,217,292 General Obligation Bond Anticipation Notes (the “Notes”) will be dated May 11, 2018 and will mature May 10, 2019 with interest payable at maturity. Interest is calculated on a 30/360 day basis. The Notes will be issued without the option of prior redemption.

Unless a fully registered note certificate or certificates is requested by a winning bidder, The Depository Trust Company, (“DTC”), New York, New York will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the form of one certificate for each series, 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 Note certificate will be issued for each interest rate for each maturity of each series, each in the aggregate principal amount of such series bearing such interest rate and maturity, and will be deposited with DTC.

Principal and interest will be paid by U.S. Bank National Association, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Noteowner, such payments will be made directly to such Noteowner. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the indirect Participants, as more fully described herein.

Security and Remedies

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

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

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

No Lien. 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 or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “INDEBTEDNESS - Debt Limit” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

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

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

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, 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.

Authorization and Use of Proceeds

The following table sets forth the principal amount and description of the authorization included in this issue of Notes.

<u>Amount of This Issue</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Article Number</u>	<u>Date Voted</u>	<u>Statutory Reference</u>	<u>BANs Outstanding</u>
\$ 5,259,063	School Roof Remodeling	\$7,651,757(1)	30	5/2/2017	Ch. 70B	\$ -0-
5,726,549	Water Treatment Facility	9,250,000(2)	3	6/20/17	Ch. 44, s. 8(4)	-0-
2,261,680	Town Hall Remodeling	9,859,000(1)	24	5/3/16	Ch. 44, s. 7(1)	-0-
970,000	Water Mains	1,500,000(2)	29	5/2/17	Ch. 44, s. 8(5)	-0-
<u><u>\$14,217,292</u></u>						

(1) The Town has voted to exempt principal and interest payments on bonds and notes issued for this project from the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws.

(2) Water rates will be raised sufficient to pay the debt service on these projects.

Book-Entry Transfer System

This section only applies to Notes issued in book-entry form through the facilities of DTC.

DTC will act as securities depository for the Notes. The Notes will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each interest rate, each in the aggregate principal amount bearing such interest rate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P Global Ratings credit 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 deposited with 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 deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for the securities deposited with DTC 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 deposited with DTC; 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.

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

Principal and interest payments on the Notes 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 the 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 the 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 securities deposited with DTC at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Issuer 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 Notes 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.

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Notes will not be included in computing the alternative minimum taxable income of Noteholders who are individuals or, except as described herein, corporations. 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 Notes. The Notes will NOT be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

For taxable years that began before January 1, 2018, interest on the Notes owned by a corporation (other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust) will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum taxable income of such corporation. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Town has covenanted to comply with such requirements to ensure that interest on the Notes 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 Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Notes. Prospective Noteholders should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes 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 Notes or the income therefrom or any other tax consequences arising with respect to the Notes under the laws of any state other than Massachusetts.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), 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 Notes 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 Notes is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Notes is sold to the public, as applicable. The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Notes is sold to the public.

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

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect the federal or state tax liability of a Noteholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Notes, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Notes 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 Noteholder or the Noteholder’s other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds or notes. Additionally, Noteholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of Noteholders to sell their Notes in the secondary market may be reduced. The Notes are

not subject to special mandatory redemption, and the interest rate on the Notes is not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Disclosure of Significant Events

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”) applicable to municipal securities having a stated maturity of 18 months or less, the Town will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the “MSRB”), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) 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 Notes, or material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) changes in the ratings on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Town; (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, 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; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Town to comply with any provision of the certificate shall be an action for specific performance of the Town’s obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate. In the last five years, the Town believes it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

The Town Treasurer, or such official’s designee from time to time, shall be the contact person on behalf of the Town from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Barbara Michalowski, Treasurer, Town of Topsfield, 8 West Common Street, Town Hall, Topsfield, MA 01983, Telephone (978) 887-1511.

Non-Bank Eligible

The Notes will NOT be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Rating

S&P Global Ratings has assigned their rating of SP-1+ to the Notes and affirmed the Town’s long-term rating of AA+. The rating reflects only the rating agency’s views and will be subject to revision or withdrawal, which could affect the market price of the Notes.

Financial Advisor

Eastern Bank serves as Financial Advisor to the Town with respect to this issue of Notes.

Opinion of Bond Counsel

The unqualified approving opinion as to the validity of the Notes will be rendered by Locke Lord LLP of Boston, Massachusetts, Bond Counsel. The opinion will be dated as of the date of original delivery of the Notes and will speak only as of such date.

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.

THE TOWN

The Town of Topsfield, located in Essex County, was incorporated as a Town in 1650 and is located in Essex County in northeastern Massachusetts. The Town is bordered by the Towns of Ipswich on the north, Hamilton and Wenham on the east, Middleton and Danvers to the south and Boxford on the west. It is located 25 miles north of Boston and is within one mile of Interstate Route 95 and US Route 1. The Town has a population of 6,529 according to the most recent census and covers an area of approximately 13 square miles and includes 60 miles of roadways and 25 miles of sidewalks and bike paths. In addition to a local village shopping center, there are various small businesses located principally along Route 1; however, the Town remains primarily a residential community.

Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, curbside pickup of trash and recycling, composting and recycling drop off, water, street maintenance, parks and recreational facilities, services and programs for the elderly and public education in pre-school through grade six. Middle and high school education (grades 7-12) is provided through participation in the Masconomet Regional School District. The Essex North Shore Agricultural and Technical School provides academic and vocational education for grades 9-12. The Topsfield Housing Authority provides public housing for the elderly, as well as the handicapped.

Public transportation is available through The Coach Company, which operates daily bus service from Topsfield to Boston, as well as through MBTA commuter rail service from Hamilton, Ipswich, Beverly and Salem.

Governing Bodies and Officers

Local legislative decisions are made by an open town meeting consisting of all the registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a five-member board of selectmen, assisted by the town administrator. The Town departments are managed and operated by Town employees who are responsible for the day-to-day operations including finance, public safety, public works and other services. Local school affairs are administered by a five-member elected school committee. Local taxes are assessed by a board of three assessors elected for staggered three-year terms. The Water Department is supervised by the Board of Water Commissioners.

Principal Executive Officers

Below is a list of the principal executive officers in the Town.

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Selectman	Laura Powers	Elected	3 Years	2018
Selectman, Chairman	Boyd R. Jackson	Elected	3 Years	2018
Selectman, Clerk	Mark B. Lyons	Elected	3 Years	2019
Selectman	A. Richard Gandt	Elected	3 Years	2020
Selectman	John K. Spencer	Elected	3 Years	2020
Town Administrator	Kellie A. Hebert	Appointed	3 Years	2019
Treasurer/Collector	Barbara Michalowski	Appointed	3 Years	2020
Town Accountant	Catherine Gabriel	Appointed	3 Years	2019
Assessor	John W. Minnehan	Elected	3 Years	2020
Assessor	Robert E. Kantor	Elected	3 Years	2019
Assessor, Chairman	Lynn A. Conant	Elected	3 Years	2019
Principal Assessor	Toula Guarino	Appointed	4 Years	2019
Superintendent of Elementary Schools	Scott Morrison	Appointed	NA	NA
Superintendent of Masconomet	Dr. Kevin Lyons	Appointed	NA	NA
Superintendent of Water	Gregory Krom	Appointed	3 Years	2019
Superintendent of Highways	David M. Bond	Appointed	3 Years	2019
Town Clerk	M. Beth Willis	Appointed	3 Years	2020
Town Counsel	KP Law	Appointed	1 Year	2018

Principal Municipal Facilities

The following is a list of the principal municipal facilities within the Town and the recent assessed valuations.

<u>Facility</u>	<u>Date Built (Remodeled)</u>	<u>Assessed Valuation</u>
Steward School	1963/1968/1987/1999/2015/2017(1)	\$3,538,900
Proctor School	1932/1952/1955/1974/1987/1999/2015/2017(1)	3,237,800
Library	1935/1998	2,066,100
Water Department	1950	935,000
Water Department	1960	1,158,400
Fire Station/Highway	1939/1969	970,500
Town Hall	1873/2016/2017(2)	785,100
Police Station	1930/1987	973,400
Public Works Facility	2000	1,481,700
Cemetery	1978	404,600

(1) \$7,651,757 has been voted by the Town to remodel the elementary school roofs.

(2) \$9,859,000 has been voted by the Town to remodel the town hall.

Collective Bargaining

City and town employees (other than managerial or confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours, and other terms and or conditions of employment. The Town has approximately 289 full and part-time employees of whom approximately 42% belong to unions or other collective bargaining groups. The following table sets forth the collective bargaining groups.

<u>Union</u>	<u>Department</u>	<u>Members</u>	<u>Contract Expires</u>
AFSCME Council 93.....	Highway/Water & Parks/Cemetery	9	6/30/2020
Topsfield Teachers Association (Unit A).....	Elementary Schools	60	8/31/2019
Topsfield Teachers Association (Unit B Paras)....	Elementary Schools	27	8/31/2021
Topsfield Police Benevolent Assn (MassCops)...	Police	10	6/30/2020
Police Reserve Association.....	Police	10	6/30/2018(1)
Topsfield Call Firefighters Association.....	Fire	16	6/30/2020
Topsfield Firefighters IAFF Local #3250.....	Fire	4	6/30/2020
<i>Total:</i>		<u>136</u>	

(1) This contract is currently under negotiation.

Other Data

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

Population

<u>Year</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2016 estimate	6,524	7.2%	779,018	4.8%	6,811,779	4.0%
2010	6,085	-0.9	743,159	2.7	6,547,629	3.1
2000	6,141	6.7	723,419	8.0	6,349,097	5.5
1990	5,754	0.8	670,080	5.8	6,016,425	4.9
1980	5,709		633,632		5,737,037	

Source: U.S. Department of Commerce for actuals and estimates,

Massachusetts Institute for Social & Economic Research for projections.

Median Age

	Topsfield		Essex County		Massachusetts	
<u>Age</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	279	4.4%	43,562	5.7%	365,841	5.5%
5 Years to 19 Years	1,434	22.5	147,356	19.3	1,241,719	18.5
20 Years to 64 Years	3,241	50.8	457,068	59.8	4,112,608	61.3
65 Years and Over	1,425	22.3	115,863	15.2	985,418	14.7
Total	<u>6,379</u>	<u>100.0%</u>	<u>763,849</u>	<u>100.0%</u>	<u>6,705,586</u>	<u>100.0%</u>
Median Age	47		41		39	
Median Age (2000)	41		37.5		36.5	

Source: U.S. Department of Commerce

Per Capita Income

	Topsfield		Essex County		Massachusetts	
<u>Year</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2016 5-year estimates	\$52,686	39.5%	\$37,210	41.2%	\$38,069	46.7%
1999	37,770	38.0	26,358	49.9	25,952	50.7
1989	27,375	155.1	17,586	129.2	17,224	131.0
1979	10,733		7,673		7,457	

% Below Poverty Level (2016 5-year estimates)	1.4%	11.3%	11.4%
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Source: U.S. Department of Commerce

Median Family Income

	Topsfield		Essex County		Massachusetts	
<u>Income for Families</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	-0-	0.0%	6,716	3.5%	57,671	3.5%
10,000 - 24,999	40	2.3	15,302	7.9	126,193	7.8
25,000 - 49,999	85	4.9	29,712	15.4	248,686	15.3
50,000 - 74,999	177	10.3	29,111	15.1	242,008	14.9
75,000 - 99,999	233	13.5	26,879	14.0	223,897	13.8
100,000 - 149,999	279	16.2	38,316	19.9	336,990	20.7
150,000 or more	<u>910</u>	<u>52.8</u>	<u>46,577</u>	<u>24.2</u>	<u>391,749</u>	<u>24.1</u>
Total	<u>1,724</u>	<u>100.0%</u>	<u>192,613</u>	<u>100.0%</u>	<u>1,627,194</u>	<u>100.0%</u>
Median Income	\$160,571		\$89,463		\$90,180	

Source: U.S. Department of Commerce

Household Income

	Topsfield		Essex County		Massachusetts	
<u>Income for Households</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	9	0.4%	16,376	5.7%	153,029	6.0%
10,000 - 24,999	199	8.9	38,461	13.3	337,371	13.2
25,000 - 49,999	181	8.1	50,901	17.7	451,168	17.6
50,000 - 74,999	232	10.4	45,580	15.8	396,468	15.5
75,000 - 99,999	281	12.6	36,356	12.6	318,777	12.5
100,000 - 149,999	336	15.0	47,872	16.6	439,085	17.2
150,000 or more	<u>995</u>	<u>44.6</u>	<u>52,745</u>	<u>18.3</u>	<u>462,991</u>	<u>18.1</u>
Total	<u>2,233</u>	<u>100.0%</u>	<u>288,291</u>	<u>100.0%</u>	<u>2,558,889</u>	<u>100.0%</u>
Median Income	\$128,283		\$70,886		\$70,954	

Source: U.S. Department of Commerce

Median Value Owner – Occupied Housing Units

<u>Units</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	55	2.7%	6,070	3.3%	66,304	4.2%
100,000 - 199,999	44	2.1	15,751	8.6	216,109	13.6
200,000 - 299,999	-0-	0.0	39,955	21.9	369,287	23.2
300,000 - 499,999	705	34.2	74,046	40.6	562,205	35.4
500,000 - 999,999	1,195	58.0	40,794	22.4	308,410	19.4
1,000,000 or more	<u>62</u>	<u>3.0</u>	<u>5,690</u>	<u>3.1</u>	<u>66,428</u>	<u>4.2</u>
Total	<u>2,061</u>	<u>100.0%</u>	<u>182,306</u>	<u>100.0%</u>	<u>1,588,743</u>	<u>100.0%</u>
Median Value	\$552,900		\$362,200		\$341,000	

Source: U.S. Department of Commerce

Age of Housing Units

<u>Year Built</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
2000 or later	92	4.0%	23,142	7.5%	240,035	8.5%
1980 to 1999	338	14.6	54,485	17.7	514,947	18.2
1940 to 1979	1,567	67.5	109,837	35.7	1,111,194	39.3
1939 or Earlier	<u>323</u>	<u>13.9</u>	<u>120,430</u>	<u>39.1</u>	<u>961,644</u>	<u>34.0</u>
Total	<u>2,320</u>	<u>100.0%</u>	<u>307,894</u>	<u>100.0%</u>	<u>2,827,820</u>	<u>100.0%</u>

Source: U.S. Department of Commerce

Building Permits

	<u>For Calendar Year</u>				
	<u>2017(1)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Residential:					
Number.....	8	4	3	4	5
Value.....	\$2,587,500	\$738,000	\$1,307,700	\$1,475,500	\$1,730,700
Non-Residential:					
Number.....	4	-0-	-0-	1	2
Value.....	13,218,319(2)	-0-	-0-	100,000	470,000

(1) As of September 11, 2017.

(2) Includes \$5,583,319 for town hall remodeling and \$7,246,000 for the water treatment facility.

Unemployment

<u>Calendar Year(1)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2017 (December)	3,450	3,378	2.1%	3.2%	3.1%	3.9%
2016	3,388	3,300	2.6	3.8	3.7	4.9
2015	3,367	3,259	3.2	5.0	4.9	5.3
2014	3,370	3,235	4.0	6.0	5.8	6.2
2013	3,292	3,141	4.6	7.0	6.7	7.4

Source: Massachusetts Department of Employment & Training

(1) Full year averages except for 2017 which is for the month indicated.

Employment and Payrolls

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Construction & Natural Resources	263	254	241	294	269
Manufacturing	177	169	165	164	165
Trade, Transportation & Utilities	294	282	286	245	248
Financial Activities	85	82	96	95	85
Professional & Business Services	379	374	361	325	332
Education & Health Services	1,183	1,208	1,198	1,132	1,004
Leisure & Hospitality	168	186	185	187	193
Information & Other Services	143	146	127	126	144
Public Administration	-0-	-0-	-0-	-0-	-0-
Total Employment	<u>2,786</u>	<u>2,808</u>	<u>2,764</u>	<u>2,669</u>	<u>2,549</u>
Number of Establishments	290	286	285	276	284
Total Annual Wage (000)	\$152,527	\$153,822	\$137,082	\$127,173	\$121,185
Average Weekly Wage	1,053	1,053	954	916	914

Source: Massachusetts Department of Employment & Training

Principal Employers

The following table lists the largest employers in the Town of Topsfield and the approximate number of employees of each, exclusive of the Town itself.

<u>Company</u>	<u>Nature of Business</u>	<u>Apx. # of Employees</u>
Essex Agricultural Society (Topsfield Fair)	Topsfield Fair	250-499 (1)
Masconomet Health Care	Nursing Care Facility	100-249
Fairview Machine Co.	Machine Shop Precisions Parts	50-99
Harmony Health	Assisted living nursing homes	50-99
Harmony Health Care Intl	Retail	50-99
American Holdco Inc.	Retail	20-49
Carl Zeiss Meditec	Manufacturing - Medical	20-49
Essex County Co-op	Retail	20-49
Evans Industries	Manufacturing	20-49
Exclusive Homes Group	Real Estate	20-49
Hill Engineering Div	Manufacturing	20-49
Keller Williams Realty	Real Estate	20-49
Lawton Welding	Manufacturing	20-49

(1) Seasonal

Public School Facilities

The Town presently operates two elementary schools for grades kindergarten through six and is a member of the Masconomet Regional School District which provides education in grades seven through twelve. The following tables list the public school facilities and current and projected enrollment figures for the Town.

<u>Name</u>	<u>Grade</u>	<u>Date Built</u>	<u>Added to (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment(1)</u>
Elementary:					
Steward.....	K-3	1962	1968/1987/1999	530	380
Proctor.....	4-6	1932	1952/55/74/87/99	700	255
Junior/Senior High:					
Masconomet Regional School District.....	7-12	1967	1975/2003	<u>2,400</u>	<u>494(2)</u>
Totals:				<u><u>3,630</u></u>	<u><u>1,129</u></u>

(1) Enrollments as of October 1, 2017.

(2) Represents Topsfield students only. Total enrollment at the school is 2,087. The District consists of the Towns of Topsfield, Boxford and Middleton.

Public School Enrollment

	<u>Actual(1)</u>						
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Elementary.....	619	590	563	576	611	627	635
Junior/Senior(2).....	<u>622</u>	<u>624</u>	<u>586</u>	<u>537</u>	<u>521</u>	<u>501</u>	<u>494</u>
Totals:	<u><u>1,241</u></u>	<u><u>1,214</u></u>	<u><u>1,149</u></u>	<u><u>1,113</u></u>	<u><u>1,132</u></u>	<u><u>1,128</u></u>	<u><u>1,129</u></u>

(1) Source: Town of Topsfield

(2) Topsfield students attending Masconomet Regional School District.

Educational Attainment

<u>Years of School Completed</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	79	1.8%	28,930	5.5%	220,055	4.8%
9th to 12th Grade, No Diploma	98	2.2	27,055	5.2	251,050	5.4
High School Graduate	778	17.4	136,786	26.2	1,169,375	25.4
Some College, No Degree	597	13.3	90,700	17.3	745,794	16.2
Associate's Degree	285	6.4	43,250	8.3	357,133	7.7
Bachelor's Degree	1,311	29.3	116,780	22.3	1,049,150	22.8
Graduate or Professional Degree	<u>1,330</u>	<u>29.7</u>	<u>79,523</u>	<u>15.2</u>	<u>817,953</u>	<u>17.7</u>
Total	<u><u>4,478</u></u>	<u><u>100.0%</u></u>	<u><u>523,024</u></u>	<u><u>100.0%</u></u>	<u><u>4,610,510</u></u>	<u><u>100.0%</u></u>
High School Graduate or Higher	4,301	96.0%	467,039	89.3%	4,139,405	89.8%
Bachelor's Degree or Higher	2,641	59.0	196,303	37.5	1,867,103	40.5

Source: U.S. Department of Commerce

INDEBTEDNESS

Debt Limits

The general debt limit of the Town of Topsfield consists of a normal debt limit and a double debt limit. The normal debt limit is 5.0 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize up to \$67,326,565 without state approval and up to twice this amount (\$134,653,130 – double debt limit) with the approval of the Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

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 and sewer bonds, bonds for water, gas, electric and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, housing and urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The general debt limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by vote of two-thirds of the town meeting. Refunding bonds and notes are authorized by the selectmen. Borrowings for some purposes require State administrative approval.

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

Types of Obligations

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

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

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds 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 ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. The Town has not issued revenue anticipation notes in the last five fiscal years.

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 Anticipation Borrowing

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

Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Amount (1)	\$ 2,510,000	\$ 3,085,000	\$ 3,655,000	\$ 4,295,000	\$ 4,930,000
Per Capita (2)	384.73	472.87	559.81	660.26	771.76
Percent of Assessed Valuation (3)	0.19%	0.24%	0.30%	0.37%	0.43%
Percent of Equalized Valuation (4)	0.19	0.25	0.30	0.36	0.41
Per Capita as a percent of					
Personal Income (2) per capita	0.69	0.85	1.00	1.18	1.38

(1) Principal amount only. 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).

Debt Summary

	Outstanding 4/1/2018	Authorized Unissued Bonds 4/1/2018	
Long-Term Indebtedness (1)(2)(3)(4)			
Within the General Debt Limit:			
Schools	\$ 339,200	\$ -0-	
Other Building	1,869,300	8,359,000(5)	
Streets Sidewalks & Parking	120,000	-0-	
Departmental Equipment	1,227,000	-0-	
Architectural & Engineering Services ...	626,600	-0-	
Total Within the General Debt Limit	<u>\$ 4,182,100</u>	<u>\$ 8,359,000</u>	
Outside the General Debt Limit:			
Schools	\$ 660,000	\$ 7,651,757(6)	
Landfill Close-out.....	245,000	-0-	
Water	1,470,900	1,500,000(7)	
Water Treatment Facility.....	-0-	9,250,000(7)	
Total Outside the General Debt Limit	<u>\$ 2,375,900</u>	<u>\$ 18,401,757</u>	
Total Long-Term Indebtedness	<u>\$ 6,558,000</u>	<u>\$ 26,760,757</u>	
	Outstanding 4/1/2018	Outstanding After This Issue	Maturity
Short-Term Indebtedness			
Revenue Anticipation Notes	\$ -0-	\$ -0-	
Grant Anticipation Notes	-0-	-0-	
Bond Anticipation Notes	9,500,000	23,717,292	3/8/19,10/19/18(8),5/10/19
Total Short-Term Indebtedness	<u>\$ 9,500,000</u>	<u>\$ 23,717,292</u>	

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

(2) At the present time the normal General Debt Limit is \$67,326,565 and the Double General Debt Limit is \$134,653,130.

(3) \$2,872,000 has been exempted from the provisions of Proposition 2 1/2.

(4) \$2,097,500 is self-supporting.

(5) This amount represents the town hall construction of which \$2,359,000 is included in this issue of Notes. The Town voted to exempt the amounts to pay principal and interest on the bonds and notes from the tax limitations of Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 1/2). \$6,000,000 BANS are currently outstanding for this project.

(6) The Town voted repairs to two elementary schools and voted to exempt the amounts to pay principal and interest on the bonds and notes from the tax limitations of Chapter 59, Section 21C (Proposition 2 1/2). The Town has received approval from the Massachusetts School Building Authority (MSBA) for approximately 41.4% of the approved, eligible project costs incurred for the project, which will reduce this authorization accordingly.

(7) The Town intends to raise water rates sufficient to pay debt service on the notes and bonds issued for the projects.

(8) \$3,500,000 BANS issued for the water treatment project are maturing October 19, 2018.

Five Years Outstanding Debt

	As of June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Schools	\$ 185,000	\$ 215,000	\$ 245,000	\$ 275,000	\$ 305,000
Other Building	415,000	615,000	815,000	1,005,000	1,195,000
Streets Sidewalks & Parking	160,000	200,000	240,000	280,000	320,000
Departmental Equipment	-0-	-0-	-0-	85,000	170,000
Total Within the General Debt Limit	<u>\$ 760,000</u>	<u>\$ 1,030,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,645,000</u>	<u>\$ 1,990,000</u>
Outside the General Debt Limit:					
Schools	\$ 815,000	\$ 970,000	\$ 1,120,000	\$ 1,265,000	\$ 1,405,000
Other Outside General	325,000	405,000	480,000	555,000	630,000
Water	610,000	680,000	755,000	830,000	905,000
Total Outside the General Debt Limit	<u>\$ 1,750,000</u>	<u>\$ 2,055,000</u>	<u>\$ 2,355,000</u>	<u>\$ 2,650,000</u>	<u>\$ 2,940,000</u>
Total Long-Term Indebtedness	<u>\$ 2,510,000</u>	<u>\$ 3,085,000</u>	<u>\$ 3,655,000</u>	<u>\$ 4,295,000</u>	<u>\$ 4,930,000</u>
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes	-0-	-0-	-0-	-0-	-0-
Bond Anticipation Notes	11,177,000	3,316,000	2,236,897	-0-	-0-
Total Short-Term Indebtedness	<u>\$ 11,177,000</u>	<u>\$ 3,316,000</u>	<u>\$ 2,236,897</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Total Outstanding Indebtedness	<u>\$ 13,687,000</u>	<u>\$ 6,401,000</u>	<u>\$ 5,891,897</u>	<u>\$ 4,295,000</u>	<u>\$ 4,930,000</u>

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

Authorized But Unissued Debt

Following the delivery of these Notes, the Town will have \$26,760,757 authorized but unissued debt of which \$7,651,757 was authorized for new roofing and additional remodeling to the Steward and Proctor Elementary Schools. The Town has received approval for a grant from the Massachusetts School Building Authority (MSBA) for approximately 41.1% of the approved, eligible project costs incurred for the project up to a maximum total facilities grant of \$1,272,609. The Town also voted \$9,859,000 for an addition and remodeling to the town hall building of which \$1,500,000 has been issued as bonds, \$6,000,000 is outstanding in bond anticipation notes, \$97,320 has been appropriated in Town funds and \$2,261,680 is being financed with this issue of Notes. The Town expects to permanently finance these projects in March 2019. The Town voted to exempt the amounts to pay principal and interest on the bonds and notes for these projects from the tax limitations of Chapter 59, Section 21C (Proposition 2 ½).

On June 20, 2017, the Town voted \$10,400,000 for the costs of constructing a water treatment facility, \$9,250,000 of which is expected to be issued as bonds. The Town has issued \$3,500,000 bond anticipation notes maturing October 19, 2018 to begin construction of the project. The Town has also authorized \$1,500,000 for water main construction which is expected to begin in the spring of 2018. The Town expects to raise water rates sufficient to cover the debt service costs of these projects.

Principal Repayment Schedule

Fiscal Year	Outstanding 04/15/18(1)(2)						Total	Cumulative
	General Fund		Self-supporting		Total Outstanding		Debt	% Principal
	Principal	Interest	Principal	Interest	Principal	Interest	Service	Retired
2018	-	\$ 48,324	-	\$ 24,427	-	\$ 72,751	\$ 72,751	-
2019	\$ 565,500	135,166	\$ 142,500	67,978	\$ 708,000	203,144	911,144	10.8%
2020	585,000	115,884	155,000	63,515	740,000	179,399	919,399	22.1
2021	475,000	100,359	155,000	58,865	630,000	159,224	789,224	31.7
2022	365,000	87,719	155,000	54,075	520,000	141,794	661,794	39.6
2023	155,000	78,144	150,000	48,475	305,000	126,619	431,619	44.3
2024	160,000	71,844	150,000	42,638	310,000	114,481	424,481	49.0
2025	155,000	65,544	150,000	36,800	305,000	102,344	407,344	53.6
2026	125,000	59,944	145,000	31,063	270,000	91,006	361,006	57.8
2027	130,000	55,494	80,000	25,825	210,000	81,319	291,319	61.0
2028	130,000	51,594	75,000	23,500	205,000	75,094	280,094	64.1
2029	130,000	47,694	75,000	21,250	205,000	68,944	273,944	67.2
2030	125,000	43,869	75,000	19,000	200,000	62,869	262,869	70.3
2031	130,000	40,044	75,000	16,750	205,000	56,794	261,794	73.4
2032	130,000	36,144	75,000	14,500	205,000	50,644	255,644	76.5
2033	135,000	32,169	75,000	12,250	210,000	44,419	254,419	79.7
2034	140,000	28,044	75,000	10,000	215,000	38,044	253,044	83.0
2035	145,000	23,769	75,000	7,750	220,000	31,519	251,519	86.4
2036	120,000	19,794	75,000	5,500	195,000	25,294	220,294	89.3
2037	80,000	16,744	75,000	3,203	155,000	19,947	174,947	91.7
2038	85,000	14,166	65,000	1,016	150,000	15,181	165,181	94.0
2039	75,000	11,619	-	-	75,000	11,619	86,619	95.1
2040	75,000	9,181	-	-	75,000	9,181	84,181	96.3
2041	80,000	6,663	-	-	80,000	6,663	86,663	97.5
2042	80,000	4,063	-	-	80,000	4,063	84,063	98.7
2043	85,000	1,381	-	-	85,000	1,381	86,381	100.0
	<u>\$ 4,460,500</u>	<u>\$ 1,205,354</u>	<u>\$2,097,500</u>	<u>\$ 588,378</u>	<u>\$ 6,558,000</u>	<u>\$1,793,733</u>	<u>\$8,351,733</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) Principal totaling \$2,872,000 and interest totaling \$768,280 has been excluded from the provisions of Proposition 2 ½, except as provided under Chapter 44, Section 20.

Capital Improvement Program

The Town has a capital improvement program providing for annual financing of capital requests that is updated annually. The following is a list of capital outlay projects by department proposed and committed over the current and next four fiscal years.

<u>Department</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Town Hall.....	\$ 58,500	\$ 148,730	\$ 115,000	\$ 46,000	46,000
Police.....	132,000	52,500	106,000	60,000	62,500
Fire.....	118,000	58,000	400,000	65,000	550,000
DPW - Highway(1).....	426,000	411,000	431,000	55,000	200,000
Park & Cemetery.....	20,000	25,000	75,000	40,000	40,000
Library(2).....	62,000	-0-	-0-	-0-	-0-
School.....	7,651,757 (3)	-0-	246,000	278,000	246,000
Water.....	11,600,000 (4)	30,000	375,000	335,000	1,535,000
Totals:	\$ 20,068,257	\$ 725,230	\$ 1,748,000	\$ 879,000	2,679,500

(1) The Town receives funding from Mass Highway Department under Chapter 90 in support of road and sidewalk improvements

(2) The Town receives private funding from the Gould Trust in support of Library capital improvements

(3) The Town is eligible for a grant from the Massachusetts School Building Authority (MSBA) for up to 41.10% of eligible, approved project costs. The Town has voted to exempt payments of principal and interest on this project from the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws.

(4) \$10,400,000 was authorized for a water treatment facility of which \$9,250,000 is expected to be issued as bonds. The debt service on these bonds will be fully supported by water rates.

Overlapping Debt and Assessments

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

	Outstanding <u>4/1/2018</u>	Authorized Unissued <u>4/1/2018</u>	Assessment for Operations & Debt Service <u>FY 2018</u>
Masconomet Regional School District(2).....	\$ 9,030,000	\$ -0-	\$7,199,513
Essex North Shore Agricultural and Technical School District(3).....	29,710,000(3)	8,133,952(3)	220,690

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

(2) Source: Masconomet Regional School District. Debt is as of April 1, 2018. The operating expenses and debt service of the regional school district are apportioned among the member municipalities according to the District agreement among the members. The shares of the member municipalities vary from year to year according to pupil enrollment. The other District members are the Towns of Middleton and Boxford.

(3) Source: Essex North Shore Agricultural and Technical School District. Debt is as of April 1, 2018. Topsfield's apportioned share of operations and debt service for fiscal year 2018 is 1.3%. The North Shore Regional Vocational Technical High School merged with Essex Agricultural and Technical School in Danvers/Middleton to construct a facility on the agricultural school site in Danvers, MA and commenced operations in the fall of 2014. The District has issued \$31,355,000 bonds to finance the project. The operating expenses and debt service of the regional school district are apportioned among the member municipalities according to the District agreement among the members. The District's budget approved for fiscal year 2018 was \$27,179,130. The shares of the member municipalities vary from year to year according to pupil enrollment. Of the over 1,300 students enrolled for the 2017-18 school year from 54 cities and towns, 11 students are from Topsfield. The other District member communities are Beverly, Boxford, Danvers, Essex, Gloucester, Hamilton, Lynnfield, Manchester-by-the-Sea, Marblehead, Middleton, Nahant, Peabody, Rockport, Salem, Swampscott and Wenham.

PROPERTY TAXATION

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see “*Property Tax Limitation*” below. As to the inclusion of debt service and judgments, see “THE BONDS – *Securities and Remedies*” above. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds, the use of which is otherwise provided for by law, the deducting for appropriations voted from available funds for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after the date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see “*Overlay*” below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see “*Taxation to Meet Deficits*”) below.

Tax Levy Computation

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

	For Fiscal Year				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Gross Amount to be Raised:					
Appropriations	\$ 30,422,318	\$ 27,771,823	\$ 27,088,609	\$ 25,563,101	\$ 24,445,421
Other Local Expenditures	10,770	11,144	11,311	13,838	12,091
State & County Charges	300,530	294,285	296,148	283,024	306,842
Overlay Reserve	<u>139,411</u>	<u>188,271</u>	<u>178,355</u>	<u>173,105</u>	<u>168,386</u>
Total Gross Amount to be Raised	30,873,029	28,265,523	27,574,423	26,033,068	24,932,740
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	1,927,465	1,887,064	1,829,084	1,798,149	1,751,296
Estimated Receipts - Local	4,260,022	2,776,351	2,717,663	2,700,056	2,792,898
Available Funds Appropriated:					
Free Cash	731,504	581,560	754,944	798,719	785,503
Revenue Sharing	-0-	-0-	-0-	-0-	-0-
Other Available Funds	509,904	672,927	956,715	712,064	639,388
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>176,419</u>	<u>358,492</u>	<u>392,690</u>	<u>33,817</u>	<u>165,783</u>
Total Estimated Receipts & Revenue	<u>7,605,314</u>	<u>6,276,394</u>	<u>6,651,096</u>	<u>6,042,805</u>	<u>6,134,868</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 23,267,715</u>	<u>\$ 21,989,129</u>	<u>\$ 20,923,327</u>	<u>\$ 19,990,263</u>	<u>\$ 18,797,872</u>
Property Valuation	<u>\$ 1,362,278,394</u>	<u>\$ 1,298,826,259</u>	<u>\$ 1,266,545,220</u>	<u>\$ 1,215,213,580</u>	<u>\$ 1,163,234,670</u>

Source: Massachusetts Department of Revenue.

Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, established utility rates and certain established salaries, e.g., civil service, must legally be paid, for work actually performed, whether or not covered by appropriations.

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

Property Tax Limitation

Chapter 59, Section 21C of the General Laws, known as “Proposition 2 ½”, imposes two separate limits on the annual tax levy of a city or town.

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

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

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

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

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

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

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

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may

exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Analysis of Property Tax Levies and Levy Limits

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

	For Fiscal Year				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Primary Levy Limit (1)	\$ 34,056,960	\$ 32,470,656	\$ 31,663,630	\$ 30,380,340	\$ 29,080,867
Prior Fiscal Year Levy Limit	\$ 21,663,706	\$ 20,915,197	\$ 19,882,669	\$ 18,795,345	\$ 17,888,276
2.5% Levy Growth	541,593	522,880	497,067	469,884	447,207
New Growth (2)	79,814	85,629	342,461	417,940	459,862
Overrides	-0-	140,000	193,000	199,500	-0-
Growth Levy Limit	22,285,113	21,663,706	20,915,197	19,882,669	18,795,345
Debt Exclusions	885,509	791,002	777,721	803,531	825,539
Capital Expenditure Exclusions ...	500,000	-0-	-0-	-0-	-0-
Other Adjustments	-0-	-0-	-0-	-0-	-0-
Tax Levy Limit	<u>\$ 23,670,622</u>	<u>\$ 22,454,708</u>	<u>\$ 21,692,918</u>	<u>\$ 20,686,200</u>	<u>\$ 19,620,884</u>
Tax Levy	<u>23,267,715</u>	<u>21,989,129</u>	<u>20,923,327</u>	<u>19,990,263</u>	<u>18,797,872</u>
Unused Levy Capacity (3)	<u>\$ 402,907</u>	<u>\$ 465,579</u>	<u>\$ 769,591</u>	<u>\$ 695,937</u>	<u>\$ 823,012</u>
Unused Primary Levy Capacity (4)	\$ 11,771,847	\$ 10,806,950	\$ 10,748,434	\$ 10,497,670	\$ 10,285,522

Source: Massachusetts Department of Revenue.

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

Pledged Taxes

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

Initiative Petitions

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

Tax Rates and Valuations

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its

share of the total taxable valuation. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property and the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

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

Type of Property	Fiscal 2018		Fiscal 2017		Fiscal 2016	
	Assessed	% of Total	Assessed	% of Total	Assessed	% of Total
	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation
Residential	\$ 1,262,244,880	92.7%	\$ 1,200,984,331	92.5%	\$ 1,163,647,377	91.9%
Open Space	-0-	0.0	-0-	0.0	-0-	0.0
Commercial	61,439,155	4.5	58,160,626	4.5	59,053,941	4.7
Industrial	17,968,049	1.3	17,614,482	1.4	17,609,582	1.4
Personal	20,626,310	1.5	22,066,820	1.7	26,234,320	2.1
Total	\$ <u>1,362,278,394</u>	<u>100.0%</u>	\$ <u>1,298,826,259</u>	<u>100.0%</u>	\$ <u>1,266,545,220</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

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

	For Fiscal Year				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Real Property(1)	\$ 1,341,652,084	\$ 1,276,759,439	\$ 1,240,310,900	\$ 1,195,291,960	\$ 1,140,994,060
Personal Property(1)	<u>20,626,310</u>	<u>22,066,820</u>	<u>26,234,320</u>	<u>19,921,620</u>	<u>22,240,610</u>
Total	\$ <u>1,362,278,394</u>	\$ <u>1,298,826,259</u>	\$ <u>1,266,545,220</u>	\$ <u>1,215,213,580</u>	\$ <u>1,163,234,670</u>
Equalized Value(2)	\$ 1,346,531,300	\$ 1,346,531,300	\$ 1,227,689,500	\$ 1,227,689,500	\$ 1,207,615,900
Percent of Total Assessed to Equalized Valuation	101.2 %	96.5 %	103.2 %	99.0 %	96.3 %

Source: Massachusetts Department of Revenue.

(1) As of the prior January 1st.

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

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

<u>Type of Property</u>	<u>For Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Residential	\$17.08	\$16.93	\$16.52	\$16.45	\$16.16
Open Space	17.08	16.93	16.52	16.45	16.16
Commercial	17.08	16.93	16.52	16.45	16.16
Industrial	17.08	16.93	16.52	16.45	16.16
Personal	<u>17.08</u>	<u>16.93</u>	<u>16.52</u>	<u>16.45</u>	<u>16.16</u>
Average Tax Rate	<u>\$17.08</u>	<u>\$16.93</u>	<u>\$16.52</u>	<u>\$16.45</u>	<u>\$16.16</u>
Full Value Tax Rate(1)	\$17.28	\$16.33	\$17.04	\$16.28	\$15.57

Source: Massachusetts Department of Revenue.

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

Tax Levies and Collections

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

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

	<u>For Fiscal Year</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Tax Levy	\$ 23,649,153	\$ 21,989,129	\$ 20,923,327	\$ 19,990,263	\$ 18,797,872
Overlay Reserve for Abatements	<u>115,349</u>	<u>188,271</u>	<u>178,355</u>	<u>173,105</u>	<u>168,386</u>
Net Tax Levy(1)	<u>23,128,304</u>	<u>21,800,858</u>	<u>\$ 20,744,972</u>	<u>\$ 19,817,158</u>	<u>\$ 18,629,486</u>
Amount Collected					
During Fiscal Year Payable(2) ...	\$ 16,934,109(3)	\$ 21,786,768	\$ 20,667,859	\$ 19,762,200	\$ 18,579,817
Percent of Net Tax Levy	73.2%	99.9%	99.6%	99.7%	99.7%

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

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

(3) As of February 1, 2018.

Taking and Sale

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes thereon. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the land court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes. Cities and towns are authorized to sell delinquent property tax receivables by public sale or auction, either individually or in bulk.

Taxes Outstanding

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

	For Fiscal Year				
	2017	2016	2015	2014	2013
Aggregate(1)	\$183,518	\$217,423	\$187,614	\$192,158	\$242,598
For Current Year(1)	134,571	177,971	156,700	157,242	231,498
Tax Titles	130,375	142,304	118,198	104,569	98,692
Tax Possessions	33,939	33,939	33,939	33,939	33,939

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

Overlay

The Town is authorized by law to increase each tax levy by an amount approved by the State Commissioner of Revenue for an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant “overlay deficit” is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles (either by purchase at the public sale or by taking), at which time the tax is written off in full by reserving the amount of tax and charging surplus. The following table reflects the total tax levy, the reserve for abatements, the amount of abatements granted during the fiscal year of the levy.

	For Fiscal Year				
	2017	2016	2015	2014	2013
Tax Levy(1)	\$21,989,129	\$20,923,327	\$19,990,263	\$18,797,872	\$18,330,216
Overlay Reserve for Abatements(1)	188,271	178,355	173,105	168,386	146,159
Percent of Tax Levy	0.9%	0.9%	0.9%	0.9%	0.8%
Abatements Granted:					
During Fiscal Year of Levy	77,750	77,497	71,503	60,929	84,063

(1) Source: Massachusetts Department of Revenue.

Largest Taxpayers

The following is a list of the ten largest taxpayers for fiscal year 2018. All taxpayers are current with payments.

<u>Name</u>	<u>Nature of Business</u>	2018	% of Total	<u>Amount</u>
		<u>Assessed</u> <u>Valuation</u>	<u>Assessed</u> <u>Valuation</u>	
Great Hill Co-Op Homeowners Inc	Cooperatives	\$ 28,779,100 (1)	2.11 %	\$ 499,605
Massachusetts Electric Co	Utility	8,793,670	0.65	152,658
Essex Agricultural Society	Cultural	5,724,710	0.42	99,381
Williamson, Don E	Residential	5,377,000	0.39	93,345
Verizon New England	Utility	5,252,400	0.39	91,182
Coughlin John T Tr	Ind Condos	4,134,500	0.30	71,775
Coughlin John & Priscilla Trs	Office	4,109,700	0.30	71,344
Tops Associates Limited Partns	Nursing Hm	3,572,300	0.26	62,015
Meredith Farm Llc	Farm	3,403,409	0.25	59,083
DiGrazia Eric J Tr	Residential	3,215,400	0.24	55,819
Total:		<u>\$ 72,362,189</u>	<u>5.31 %</u>	<u>\$ 1,256,208</u>

(1) This total combines assessments to many individual units.

Community Preservation Act

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

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

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

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

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

The Town has not adopted the provisions of the CPA.

TOWN FINANCES

Budget and Appropriation Process

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

Water and sewer department expenditures are generally included in the budgets adopted by city councils and 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.

The school budget is limited to the total amount appropriated by the city council or town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. (See "State Distributions" below.)

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 Tax" above.)

Operating Budget Trends

The following table sets forth the operating budgets for the following fiscal years as voted by the Town. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items nor supplemental budget appropriations. See "*Budget and Appropriation Process*" above. The budgets summarized below include expenditures for "non-operating" or capital outlay items authorized under "special" warrant articles at town meetings which are not funded by debt.

	Budgeted	Appropriated	Appropriated	Appropriated	Appropriated
	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government.....	\$ 1,426,424	\$ 1,256,977	\$ 1,219,221	\$ 1,128,773	\$ 1,079,135
Public Safety.....	2,489,201	2,456,239	2,344,822	2,119,289	2,005,455
Education.....	15,247,374	14,341,347	14,271,105	12,800,756	12,278,755
Public Works & Facilities.....	1,637,825	904,639	873,586	818,739	789,031
Human Services.....	255,286	654,199	642,742	625,243	619,100
Culture & Recreation.....	587,582	873,781	846,521	785,156	754,932
Debt Service.....	1,084,204	653,486	644,405	654,469	669,209
Pension/Insurance Retirement.....	3,962,622	3,750,934	3,425,062	3,260,183	3,196,667
Water Enterprise Fund.....	1,322,444	1,196,604	1,055,626	891,842	853,157
Solid Waste Enterprise Fund.....	38,700	38,700	38,700	36,700	36,700
Stabilization Fund.....	25,000	25,000	25,000	100,000	200,000
Capital Stabilization Fund.....	100,000	100,000	100,000	10,000	-
Totals:	<u>\$ 28,176,662</u>	<u>\$ 26,251,906</u>	<u>\$ 25,486,790</u>	<u>\$ 23,231,150</u>	<u>\$ 22,482,141</u>

Water Rates and Services

The Town uses an enterprise fund to account for its water enterprise activities. All revenues and expenditures are accounted for in the fund and any fund balance remains within the fund. Eighty percent of the Town is served by municipal wells and twenty percent of the population is served by private wells. Operating expenses of the water department are fully supported by user charges. Charges for water are based on actual metered consumption using an increasing block rate structure. The majority of residents are billed quarterly and larger users are billed monthly for which the flat fee and tier volumes are divided by three. Each account is billed \$22.50 per quarter plus water usage fees based on the following structure:

Tier I	1,000 to 12,000	\$10.45 p/thousand gallons
Tier II	12,001 to 24,000	\$12.40 p/thousand gallons
Tier III	24,001 or greater	\$17.45 p/thousand gallons

The Town has authorized \$1,500,000 for water main projects. On June 20, 2017, the Town voted \$10,400,000 for the costs of constructing a water treatment facility, \$9,250,000 of which is expected to be issued as bonds. The Town expects to raise water rates sufficient to cover the debt service costs of these projects.

Other Taxes

Three additional sources of revenue for local governments are the room occupancy tax, local meals excise tax and the aviation tax. All the taxes take effect only where accepted by individual municipalities. Under the room occupancy excise tax, local governments may tax the provision of hotel, motel, lodging house and bed and breakfast rooms at a rate not to exceed six percent of the cost of renting such rooms. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located. *The Town voted to impose the room occupancy tax at a rate of 6%. The distribution for fiscal year 2017 was \$-0-.*

Retirement Plan

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

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding

schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town provides pension benefits to employees by contributing to the Essex Regional Retirement System (the "System"), a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits to plan members and beneficiaries. Substantially all employees are members of the System except for public school teachers and certain administrators who are members of the Commonwealth's Teachers Contributory Retirement System to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. The Essex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report is available to the public at <http://www.mass.gov/perac/docs/forms-pub/reports/valuation-reports/essexval16.pdf> or may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923.

Plan members of the System are required to contribute at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's contributions to the System for the last five fiscal years are set forth below.

	For Fiscal Year				
	<u>2018(1)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributory.....	\$ 1,076,261	\$ 1,057,155	\$ 964,456	\$ 884,541	\$ 796,025

(1) Budgeted.

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part. The Actuarial Accrued Liability (AAL) of the Essex Regional Contributory Retirement System as of January 1, 2016 was estimated at \$745,583,658 using an investment rate of return of 7.75%, the Assets were \$386,739,097 and the Unfunded Actuarial Accrued Liability of the system was estimated at \$358,844,560. At June 30, 2017, the Town reported a liability of \$13,593,536 for its proportionate share of the net pension liability. The net pension was measured as of December 31, 2016, and the total pension liability used to calculate the Town's reported liability was determined by an actuarial valuation as of January 1, 2016. The Essex Regional Retirement System Funding Schedule is provided below.

ESSEX REGIONAL RETIREMENT SYSTEM

FUNDING SCHEDULE with 3(8)(C) - 18 years: Five 7.41% increases, one year of 6.36%, 4% thereafter
Generational Mortality, Scale BB; 7.75% Discount Rate, \$14,000 COLA Base

Fiscal Year	Normal Cost	Unfunded Liability*	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**	Adjusted Payments	% Change
2018	6,446,958	379,186,506	24,081,393	1,081,739	31,610,090	32,199,894	7.41%
2019	6,704,836	382,625,759	26,165,823	1,081,739	33,952,398	34,585,906	7.41%
2020	6,973,030	382,960,554	28,413,502	1,081,739	36,468,271	37,148,722	7.41%
2021	7,251,951	382,024,448	30,836,880	1,081,739	39,170,569	39,901,442	7.41%
2022	7,542,029	387,929,969	33,449,341	1,081,739	42,073,109	42,858,139	7.41%
2023	7,843,710	381,952,877	35,823,509	1,081,739	44,748,958	45,583,917	6.36%
2024	8,157,459	372,954,393	37,299,719	1,081,739	46,538,917	47,407,273	4.00%
2025	8,483,757	361,667,911	38,834,978	1,081,739	48,400,473	49,303,564	4.00%
2026	8,823,107	347,852,486	40,431,646	1,081,739	50,336,492	51,275,707	4.00%
2027	9,176,031	331,245,955	42,092,182	1,081,739	52,349,952	53,326,735	4.00%
2028	9,543,073	311,563,191	43,819,138	1,081,739	54,443,950	55,459,804	4.00%
2029	9,924,796	288,494,217	45,615,173	1,081,739	56,621,708	57,678,197	4.00%
2030	10,321,787	261,702,169	47,483,050	1,081,739	58,886,576	59,985,324	4.00%
2031	10,734,659	230,821,101	49,425,642	1,081,739	61,242,039	62,384,737	4.00%
2032	11,164,045	195,453,607	51,445,937	1,081,739	63,691,721	64,880,127	4.00%
2033	11,610,607	155,168,265	53,547,044	1,081,739	66,239,390	67,475,332	4.00%
2034	12,075,031	109,496,866	55,732,195	1,081,739	68,888,965	70,174,345	4.00%
2035	12,558,033	57,931,433	57,931,433	1,081,739	71,571,205	72,906,632	3.89%
2036	13,060,354	-	-	1,081,739	14,142,093	14,405,966	-80.24%

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

The Town adopted the requirements of GASB Statement 45 which required public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. The Town's annual other post-employment benefit cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Using the services of an actuary, the Town has determined the Net OPEB liability for other post-employment benefits for active and retired employees following the GASB Statements 74 and 75 (including health care and life insurance) as of June 30, 2017. The total OPEB liability was \$16,211,312, less plan fiduciary net position of \$598,647, and the Net OPEB liability of \$15,612,665. Within this study, an annual required contribution (ARC) of \$1,988,387 for fiscal year 2017 was developed based on a discount rate of 4.50%.

Following is the Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation in recent years:

<u>FY ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage ARC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$2,055,263	18.2%	\$11,529,047
2016	1,958,253	26.4	12,634,519
2017	1,988,387	28.8	13,754,520

Although there is not a current requirement to fund the ARC, a component of the study was a discussion of various funding strategies that move to reduce future benefit costs. The Town made an initial contribution of \$100,000 to the General Fund liability trust and \$30,000 for Water Enterprise liability trust in fiscal year 2013 and an additional \$100,000 to the General Fund liability trust in fiscal years 2014 through 2018. The balance in the General Fund trust and the Water Enterprise trust as of June 30, 2017 was \$710,642 and \$37,236 respectively.

Contractual Obligations

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 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, cities and towns may also be empowered to make other contracts and leases.

The Town of Topsfield is obligated under the following agreements:

- Solid Waste Collection Agreement – The Town entered into a ten year agreement with JRM Hauling & Recycling of Lynnfield, MA which expires June 2023 for the collection and disposal of solid waste and recyclables collection at the current annual price of \$405,213.
- School Bus Transportation – The Town has a five year contract (July 1, 2015 – June 30, 2020) with North Reading Transportation of Methuen, MA, at an annual cost of \$176,022, \$178,240, 180,457, \$184,338 and \$187,110 for fiscal years 2016 through 2020 respectively.

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. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is

owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

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

The following table represents state aid estimated receipts, net of estimated charges, for the following fiscal years:

	For Fiscal Year				
	2018(1)	2017	2016	2015	2014
School operating aid.....	\$ 1,157,318	\$ 1,140,038	\$ 1,107,808	\$ 1,093,858	\$ 1,062,714
General government aid.....	770,147	747,026	701,552	704,291	688,582
Total Estimated aid.....	1,927,465	1,887,064	1,809,360	1,798,149	1,751,296
Less Estimated charges.....	(300,530)	(294,285)	(296,148)	(281,920)	(306,842)
Net State aid.....	\$ 1,626,935	\$ 1,592,779	\$ 1,513,212	\$ 1,516,229	\$ 1,444,454

(1) Estimated.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

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

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

The range of reimbursement rates for new project grant applications 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.

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 (see "Property Tax Limitation" under "PROPERTY TAXATION" above).

Investments

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

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

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

Motor Vehicle Excise

An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of \$25 per \$1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles. The Town collects the motor vehicle excise tax from bills prepared by the Massachusetts Registry of Motor Vehicles. The following table reflects motor vehicle excise receipts for each of the last five fiscal years.

	For Fiscal Year Ending June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Motor Vehicle Excise Taxes	\$ 1,277,346	\$1,135,971	\$1,090,920	\$1,023,723	\$863,358

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

Free Cash

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

The following table reflects the certified free cash for the following fiscal years.

	For Fiscal Year Beginning July 1				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Free Cash (1).....	\$2,280,274	\$1,611,613	\$1,640,052	\$1,897,634	\$1,582,536

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

Unassigned General Fund Balance and Stabilization Fund Balance

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

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

	For Fiscal Year Ending June 30				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Unassigned General Fund Balance....	\$4,226,374	\$3,693,552	\$3,183,028	\$3,346,125	\$2,805,621
Stabilization Fund Balance	1,183,216	1,147,549	1,128,324	1,015,388	813,503
Capital Stabilization Fund(1).....	228,425	121,614			

(1) The capital stabilization fund was established in fiscal year 2016.

Financial Statements

Comparative balance sheets and revenues and expenditures have been extracted from the Town’s financial statements for the fiscal years ending June 30, 2012 through 2017 prepared by Guisti, Hingston and Company, Certified Public Accountants and are included as Appendix A. The Town’s June 30, 2017 Audited Financial Statements are attached.

The attached Appendices A and B speak only as of their date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of Appendices A or B. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendices A or B and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in those appendices.

Litigation

In the opinion of the Town's management, based on facts currently known to it, there is no litigation pending which, either individually or in the aggregate, is likely to result in final judgments against the Town which would materially affect the Town's financial position or its ability to pay its obligations.

Town of Topsfield, Massachusetts

By: /s/ Barbara Michalowski, Town Treasurer

Dated: April 25, 2018

**TOWN OF TOPSFIELD, MASSACHUSETTS
COMPARATIVE BALANCE SHEETS(1)**

APPENDIX A

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets:					
Cash/Investments	\$ 6,199,334	\$ 5,689,348	\$ 5,641,694	\$ 5,314,108	\$ 4,859,503
Petty Cash	575	625	-	-	-
Receivables:					
Property Taxes	183,519	217,423	187,614	296,727	242,598
Tax Liens	130,314	142,304	118,198	-	-
Excises	70,631	120,819	54,957	-	-
Intergovernmental	-	-	14,558	37,274	10,161
Other	-	-	7,888	70,830	185,207
Tax Foreclosures	33,939	33,939	33,939	33,939	-
Total Assets	<u>\$ 6,618,312</u>	<u>\$ 6,204,458</u>	<u>\$ 6,058,848</u>	<u>\$ 5,752,878</u>	<u>\$ 5,297,469</u>
Liabilities:					
Warrants Payable	\$ 550,413	\$ 254,552	\$ 151,213	\$ 147,925	\$ 80,552
Accrued Payroll Payable	152,875	72,345	253,922	379,797	376,606
Employee's Withholding Payable	29,229	137,301	116,858	-	-
Unclaimed Checks	5,489	5,489	4,382	-	-
Intergovernmental	2,625	-	-	-	-
Other Liabilities	5,982	-	1,838	4,382	65,356
Deferred Revenues	-	-	-	16,052	-
Deferred Revenue:					
Deferred revenues (deferred inflows) total	379,945	399,754	363,302	335,686	308,817
Intergovernmental	-	3,569	-	-	-
Total Liabilities	<u>1,126,558</u>	<u>873,010</u>	<u>891,515</u>	<u>883,842</u>	<u>831,331</u>
Fund Balances(1):					
Committed	931,151	1,110,590	1,315,823	424,567	284,905
Assigned	334,229	527,312	668,482	1,098,344	1,375,612
Unassigned	4,226,374	3,693,552	3,183,028	3,346,125	2,805,621
Total Fund Balances:	<u>5,491,754</u>	<u>5,331,454</u>	<u>5,167,333</u>	<u>4,869,036</u>	<u>4,466,138</u>
Total Liabilities and Fund Equity	<u>\$ 6,618,312</u>	<u>\$ 6,204,464</u>	<u>\$ 6,058,848</u>	<u>\$ 5,752,878</u>	<u>\$ 5,297,469</u>

(1) Extracted from audited financial statements.

TOWN OF TOPSFIELD, MASSACHUSETTS
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES(1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:					
Property Taxes	\$ 21,826,245	\$ 20,851,794	\$ 19,860,443	\$ 18,703,184	\$ 18,231,921
Tax Liens	73,126	33,940	38,149	-	2,771,758
Excises	1,277,346	1,135,971	1,090,920	1,023,723	863,549
Penalties and Interest	41,276	29,180	37,826	40,261	38,313
Licenses and Permits	240,545	255,951	226,750	367,799	362,283
Intergovernmental	3,551,492	3,075,276	2,560,727	2,858,180	-
Charges for Services	255,830	239,761	269,481	-	-
Fines and Forfeits	49,215	53,468	57,472	68,080	60,842
Earnings on Investments	45,545	99,414	17,704	15,307	15,669
In Lieu of Taxes	76,581	57,724	57,481	-	-
Miscellaneous	115,066	32,035	27,878	241,381	249,427
Total Revenues	<u>27,552,267</u>	<u>25,864,514</u>	<u>24,244,831</u>	<u>23,317,915</u>	<u>22,593,762</u>
Expenditures:					
General Government	1,427,305	1,327,692	1,198,187	1,326,303	1,386,338
Public Safety	2,494,013	2,365,713	2,356,222	2,131,896	2,281,538
Education	16,500,897	15,733,396	13,265,561	12,647,438	12,538,482
Highways and Public Works	1,825,507	1,575,477	1,000,691	969,026	924,212
Human Services	224,336	250,510	617,094	636,696	611,013
Culture and Recreation	569,002	557,717	1,667,769	752,645	705,960
Intergovernmental	296,783	288,645	301,348	300,256	206,153
Employee Benefits	3,533,032	3,202,176	3,165,993	3,656,242	3,504,053
Debt Service	570,076	-	-	-	-
Principal	-	486,000	550,000	551,000	537,500
Interest	-	77,200	103,469	117,209	131,720
Total Expenditures	<u>27,440,951</u>	<u>25,864,526</u>	<u>24,226,334</u>	<u>23,088,711</u>	<u>22,826,969</u>
Excess of Revenues Over (Under)					
Expenditures	<u>111,316</u>	<u>(12)</u>	<u>18,497</u>	<u>229,204</u>	<u>(233,207)</u>
Other Financing Sources (Uses):					
Operating Transfers In	201,356	235,133	283,720	273,846	227,976
Operating Transfers (Out)	(152,372)	(71,000)	(3,920)	-	-
Proceeds from capital leases	-	-	-	-	159,573
Total Other Financing Sources	<u>48,984</u>	<u>164,133</u>	<u>279,800</u>	<u>273,846</u>	<u>387,549</u>
Excess of Revenues And Other Sources Over (Under)Expenditures and Other Uses	160,300	164,121	298,297	503,050	154,342
Fund Balance (Deficit), Beginning of Year	<u>5,331,454</u>	<u>5,167,333</u>	<u>4,869,036</u>	<u>4,365,986</u> (2)	<u>4,311,796</u>
Prior Period Adjustment	-	-	-	-	-
Fund Balance (Deficit), End of Year	<u>\$ 5,491,754</u>	<u>\$ 5,331,454</u>	<u>\$ 5,167,333</u>	<u>\$ 4,869,036</u>	<u>\$ 4,466,138</u>

(1) Extracted from audited financial statements.

(2) Fund balance restated.

TOWN OF TOPSFIELD, MASSACHUSETTS

Financial Statements

June 30, 2017

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

36 Jackman St., Unit 1 * Georgetown, MA 01833 * (Tel) 978-352-7470

Town of Topsfield, Massachusetts
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For the Year Ended June 30, 2017
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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Topsfield
Eight West Common
Topsfield, MA 01983

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsfield, Massachusetts as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsfield, Massachusetts as of June 30, 2017 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018, on our consideration of the Town of Topsfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Topsfield's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
February 26, 2018

**Town of Topsfield, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2017**

As management of the Town of Topsfield, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Topsfield, Massachusetts for the fiscal year ended June 30, 2017.

Financial Highlights

The liabilities and deferred outflows of the Town of Topsfield, Massachusetts exceeded its assets and deferred inflows at the close of the most recent fiscal year by \$17,081,114 (net position). Included in that amount is a (\$19,045,280) deficit in unrestricted net position. The unrestricted net position of the Town's governmental activities is a deficit of (\$20,449,109). The deficit in the governmental activities is, primarily, due to reporting the Town's other post employment benefits liability and the net pension liability. The unrestricted net position of business-type activities is \$1,403,829 and may be used to meet the ongoing obligations of the Town's Business-type activities.

The total revenue for fiscal year 2017 was \$30,011,939 from governmental activities, and \$1,350,957 from Business-type activities.

The total cost of all Town services for fiscal year 2017 was \$31,970,449, of which \$30,852,050 was for governmental services, and \$1,118,399 of which was for Business-type activities.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,226,374 or 15% of total general fund expenditures.

The Town of Topsfield, Massachusetts's total long term debt decreased by \$575,000 or 19% during the year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the Town of Topsfield, Massachusetts' basic financial statements. The Town of Topsfield, Massachusetts' basic financial statements consist of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the Town of Topsfield, Massachusetts' assets/deferred outflows and liabilities/deferred inflows, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may

serve as a useful indicator of whether the financial position of the Town of Topsfield, Massachusetts is improving or deteriorating.

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

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water services. User fees charged to the customers receiving services finance these activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Topsfield, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Topsfield, Massachusetts 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* 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*.

Proprietary funds. The Town of Topsfield, Massachusetts maintains one proprietary fund type. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Topsfield, Massachusetts uses enterprise funds to account for its Water activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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. The Town maintains fiduciary funds to account for activities related to charitable and scholarship trust funds and for its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 *required supplementary information* concerning the Town of Topsfield, Massachusetts' progress in funding its obligation to provide pension and other post employment benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

A reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds use the same accounting basis and measurement focus.

Financial Analysis of the Government-wide Financial Statements

Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are, typically, not used to finance costs related to business-type activities. Revenues of the business-type activities are generally used only to finance the operations of the Water Enterprise Fund

The following table reflects the condensed net position for the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 25,029,194	\$ 17,355,744	\$ 2,435,788	\$ 2,256,267	\$ 27,464,982	\$ 19,612,011
Capital Assets	23,642,745	23,132,900	7,851,129	7,545,784	31,493,874	30,678,684
Total Assets	<u>48,671,939</u>	<u>40,488,644</u>	<u>10,286,917</u>	<u>9,802,051</u>	<u>58,958,856</u>	<u>50,290,695</u>
Deferred Outflows of Resources Ban	<u>1,398,982</u>	<u>735,895</u>	<u>81,988</u>	<u>42,511</u>	<u>1,480,970</u>	<u>778,406</u>
Other Liabilities	10,794,967	2,958,711	1,970,181	1,674,841	12,765,148	4,633,552
Long Term Liabilities	28,798,284	27,307,614	1,485,457	1,389,617	30,283,741	28,697,231
Total Liabilities	<u>39,593,251</u>	<u>30,266,325</u>	<u>3,455,638</u>	<u>3,064,458</u>	<u>43,048,889</u>	<u>33,330,783</u>
Deferred Inflows of Resources	<u>276,171</u>	<u>29,651</u>	<u>13,652</u>	<u>-</u>	<u>289,823</u>	<u>29,651</u>
Net Position:						
Net Investment in Capital Assets	19,224,146	19,186,176	5,495,786	5,593,648	24,719,932	24,779,824
Restricted	11,426,462	10,684,485	-	-	11,426,462	10,684,485
Unrestricted	(20,449,109)	(18,942,098)	1,403,829	1,186,456	(19,045,280)	(17,755,642)
Total Net Position	<u>\$ 10,201,499</u>	<u>\$ 10,928,563</u>	<u>\$ 6,899,615</u>	<u>\$ 6,780,104</u>	<u>\$ 17,101,114</u>	<u>\$ 17,708,667</u>

The net position of the Town decreased by \$607,553. The net position of the governmental activities decreased by \$727,064 or about 6.7% and the net position of the business-type activities increased by \$119,511 or around 1.8%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position have changed during the fiscal year.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 1,165,234	\$ 1,214,193	\$ 1,350,957	\$ 1,183,530	\$ 2,516,191	\$ 2,397,723
Operating Grants and Contributions	4,696,301	3,487,327	-	-	4,696,301	3,487,327
Capital Grants and Contributions	41,913	879,700	-	-	41,913	879,700
General Revenues:						
Property Taxes	21,835,476	20,963,664	-	-	21,835,476	20,963,664
Motor Vehicle and Other Excises	1,306,058	1,088,072	-	-	1,306,058	1,088,072
Intergovernmental Not Restricted to a Specific Program	713,953	691,135	-	-	713,953	691,135
Other	253,004	256,332	-	6,000	253,004	262,332
Total Revenues	<u>30,011,939</u>	<u>28,580,423</u>	<u>1,350,957</u>	<u>1,189,530</u>	<u>31,362,896</u>	<u>29,769,953</u>
Expenses						
General Government	1,895,108	1,567,431	-	-	1,895,108	1,567,431
Public Safety	2,669,491	2,415,573	-	-	2,669,491	2,415,573
Education	17,820,789	16,893,825	-	-	17,820,789	16,893,825
Highways and Public Works	2,126,155	2,465,276	-	-	2,126,155	2,465,276
Human Services	275,349	291,040	-	-	275,349	291,040
Culture and Recreation	862,964	689,480	-	-	862,964	689,480
Debt Service	72,290	75,250	-	-	72,290	75,250
Employee Benefits	5,129,904	4,470,617	-	-	5,129,904	4,470,617
Water	-	-	1,118,399	932,460	1,118,399	932,460
Total Expenses	<u>30,852,050</u>	<u>28,868,492</u>	<u>1,118,399</u>	<u>932,460</u>	<u>31,970,449</u>	<u>29,800,952</u>
Increase (Decrease) in Net Position Before Transfers	(840,111)	(288,069)	232,558	257,070	(607,553)	(30,999)
Transfers	113,047	(74,197)	(113,047)	(76,362)	-	(150,559)
Increase (Decrease) in Net Position	<u>\$ (727,064)</u>	<u>\$ (362,266)</u>	<u>\$ 119,511</u>	<u>\$ 180,708</u>	<u>\$ (607,553)</u>	<u>\$ (181,558)</u>

Governmental Activities

In fiscal year 2017, property taxes accounted for approximately 73% of the revenues. In fiscal year 2016, property taxes accounted for 74% of the revenues

Business-type Activities

Water rates are structured to cover all costs related to each activity.

Financial Analysis of the Town's Funds

Governmental Funds

The focus of the Town of Topsfield, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Topsfield, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Topsfield, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Topsfield, Massachusetts' Selectmen.

General Fund – The year end fund balances of the general fund were \$160,300 more than the prior year's fund balances.

The following table reflects the trend in all the components of fund balance (general fund) and the Town's "free cash" for the last ten fiscal years.

<u>Fiscal Year</u>	<u>Reserved for Encumbrances</u>	<u>Reserved for Petty Cash</u>	<u>Reserved for Subsequent Year's Expenditure</u>	<u>Designated for Appropriation Deficit (Snow & Ice)</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>
2008	\$ 410,029	\$ 616	\$ 836,901	\$ -	\$ 1,568,835	\$ 2,816,381
2009	318,052	836	712,539	(136,021)	1,362,185	2,257,591
2010	244,632	971	512,621	-	1,567,101	2,325,325

GASB 54 was implemented in fiscal year 2011. As a result, the account titles of the components of fund balance changed as follows: In addition, in accordance with GASB 54 requirements, the balance in the Stabilization Fund is reported as a component of the general fund unassigned fund balance.

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ -	\$ 200,139	\$ 749,173	\$ 2,342,955	\$ 3,292,267
2012	-	386,633	970,818	2,954,345	4,311,796
2013	-	284,905	1,375,612	2,805,621	4,466,138
2014	-	424,567	1,098,344	3,346,125	4,869,036
2015	-	1,315,823	668,482	3,183,028	5,167,333
2016	-	1,110,590	527,312	3,693,552	5,331,454
2017	-	931,151	334,229	4,226,374	5,491,754

<u>Fiscal Year</u>	<u>Free Cash</u>
2008	\$1,379,523
2009	1,188,197
2010	1,217,661
2011	1,220,632
2012	1,701,286
2013	1,582,536
2014	1,897,634
2015	1,640,052
2016	1,611,613
2017	2,280,274

Proprietary Funds

The Town of Topsfield, Massachusetts' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position of the proprietary funds at the end of the year amounted to \$6,899,615.

General Fund Budgetary Highlights

The differences between the original budget and the final amended budget is consist of Special Town Meeting votes and reserve fund transfers.

Conservative budget estimates allowed the Town to experience favorable operating results in substantially all revenues and expenditure categories.

Capital Asset and Debt Administration

Capital assets – The Town of Topsfield, Massachusetts' investments in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$31,473,874 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 5,196,767	\$ 5,196,767	\$ 323,038	\$ 323,038	\$ 5,519,805	\$ 5,519,805
Construction in Progress	1,428,409	295,244	750,578	1,326,710	2,178,987	1,621,954
Buildings	8,835,805	9,230,226	88,963	92,576	8,924,768	9,322,802
Improvements Other Than Buildings	69,925	76,681	6,500	7,500	76,425	84,181
Infrastructure	5,297,537	5,379,218	6,597,679	5,689,582	11,895,216	11,068,800
Equipment	635,919	714,924	16,217	18,751	652,136	733,675
Vehicles	2,178,383	2,239,840	68,154	87,627	2,246,537	2,327,467
Total	<u>\$ 23,642,745</u>	<u>\$ 23,132,900</u>	<u>\$ 7,851,129</u>	<u>\$ 7,545,784</u>	<u>\$ 31,493,874</u>	<u>\$ 30,678,684</u>

Debt

The Town had \$2,510,000 in bonds outstanding on June 30, 2017. This represents a \$575,000 decrease.

Governmental Activities	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
General Obligation Bonds Payable	<u>\$ 1,870,500</u>	<u>\$ 2,366,000</u>	<u>\$ (495,500)</u>
Business-type Activities			
Water	<u>639,500</u>	<u>719,000</u>	<u>(79,500)</u>
Total Debt	<u>\$ 2,510,000</u>	<u>\$ 3,085,000</u>	<u>\$ (575,000)</u>

Fiscal Year 2018 Budget

An initiative state statute, commonly known as “Proposition 2 ½”, limits the amount of property taxes that Town can assess in any one year. In general, the Town’s property tax levy may increase by 2 ½ percent over the prior year’s tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by “Proposition 2 ½”, it is necessary to obtain the approval of a majority of the voters at an election.

The Town utilized \$907,923 of general fund reserves to fund the fiscal year 2018 budget.

Request for Information

This financial report is designed to provide a general overview of the Town of Topsfield, Massachusetts’ 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:

Town of Topsfield
Finance Department
Eight West Common
Topsfield, Massachusetts 01983

Town of Topsfield, Massachusetts
Statement of Net Position
June 30, 2017

	Governmental Activities	Business - Type Activities	Government - Wide Total
Assets			
Current:			
Cash/Investments	\$ 24,277,239	\$ 2,054,918	\$ 26,332,157
Petty Cash	575	-	575
Receivables:			
Property Taxes	183,519	-	183,519
Tax Liens	130,314	-	130,314
Excises	70,631	-	70,631
User Charges	-	379,514	379,514
Intergovernmental	366,916	-	366,916
Liens	-	1,356	1,356
Noncurrent:			
Capital Assets:			
Assets Not Being Depreciated	6,625,176	1,073,616	7,698,792
Assets Being Depreciated, Net	17,017,569	6,777,513	23,795,082
Total Assets	<u>48,671,939</u>	<u>10,286,917</u>	<u>58,958,856</u>
Deferred Outflows of Resources			
Pension	1,388,177	81,988	1,470,165
Debt Refunding	10,805	-	10,805
Total Deferred Outflows of Resources	<u>1,398,982</u>	<u>81,988</u>	<u>1,480,970</u>
Liabilities			
Current:			
Warrants Payable	587,369	54,374	641,743
Accrued Salaries Payable	153,717	7,279	160,996
Employees' Withholding Payable	29,229	-	29,229
Intergovernmental	2,625	-	2,625
Unclaimed Checks	5,489	-	5,489
Landfill Closure Costs Payable	38,700	-	38,700
Other	1,326	-	1,326
Bond Anticipation Notes Payable	9,359,000	1,818,000	11,177,000
Capital Leasing	28,137	-	28,137
Accrued Interest	18,051	9,809	27,860
Bonds Payable	505,500	79,500	585,000
Compensated Absences	65,824	1,219	67,043
Noncurrent:			
Bonds Payable	1,365,000	560,000	1,925,000
Compensated Absences	263,295	4,878	268,173
Landfill Closure Costs Payable	742,512	-	742,512
Net Pension Liability	12,835,452	758,084	13,593,536
Other Post Employment Benefit Obligations	13,592,025	162,495	13,754,520
Total Liabilities	<u>39,593,251</u>	<u>3,455,638</u>	<u>43,048,889</u>
Deferred Inflows of Resources			
Pension	231,146	13,652	244,798
Unavailable Revenues	45,025	-	45,025
Total Deferred Inflows of Resources	<u>276,171</u>	<u>13,652</u>	<u>289,823</u>
Net Position			
Net Investment in Capital Assets	19,224,146	5,495,786	24,719,932
Restricted for:			
Gifts, Grants and Other Statutory Restrictions	1,551,054	-	1,551,054
Perpetual Funds:			
Expendable	995,013	-	995,013
Nonexpendable	8,880,395	-	8,880,395
Unrestricted	(20,449,109)	1,403,829	(19,045,280)
Total Net Position	<u>\$ 10,201,499</u>	<u>\$ 6,899,615</u>	<u>\$ 17,101,114</u>

Town of Topsfield, Massachusetts
Statement of Activities
Fiscal Year Ended June 30, 2017

					Net (Expenses) Revenues and		
					Changes in Net Position		
Program Revenues							

Town of Topsfield, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2017

	<u>General</u>	<u>Gould Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash/Investments	\$ 6,199,334	\$ 8,658,939	\$ 9,418,966	\$ 24,277,239
Petty Cash	575	-	-	575
Receivables:				
Property Taxes	183,519	-	-	183,519
Tax Liens	130,314	-	-	130,314
Excises	70,631	-	-	70,631
Intergovernmental	-	-	366,916	366,916
Tax Foreclosures	33,939	-	-	33,939
Total Assets	<u>\$ 6,618,312</u>	<u>\$ 8,658,939</u>	<u>\$ 9,785,882</u>	<u>\$ 25,063,133</u>
Liabilities:				
Warrants Payable	\$ 550,413	\$ -	\$ 36,956	\$ 587,369
Accrued Salaries Payable	152,875	-	842	153,717
Employees' Withholding Payable	29,229	-	-	29,229
Intergovernmental	2,625	-	-	2,625
Unclaimed Checks	5,489	-	-	5,489
Other	5,982	-	(4,656)	1,326
Bonds Anticipation Notes Payable	-	-	9,359,000	9,359,000
Total Liabilities	<u>746,613</u>	<u>-</u>	<u>9,392,142</u>	<u>10,138,755</u>
Deferred Inflows of Resources:				
Unavailable Revenues	<u>379,945</u>	<u>-</u>	<u>366,916</u>	<u>746,861</u>
Total Deferred Inflows of Resources	<u>379,945</u>	<u>-</u>	<u>366,916</u>	<u>746,861</u>
Fund Equity:				
Fund Balances:				
Nonspendable	-	8,111,327	769,068	8,880,395
Restricted	-	547,612	1,819,753	2,367,365
Committed	931,151	-	252,018	1,183,169
Assigned	334,229	-	-	334,229
Unassigned	<u>4,226,374</u>	<u>-</u>	<u>(2,814,015)</u>	<u>1,412,359</u>
Total Fund Balances	<u>5,491,754</u>	<u>8,658,939</u>	<u>26,824</u>	<u>14,177,517</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,618,312</u>	<u>\$ 8,658,939</u>	<u>\$ 9,785,882</u>	<u>\$ 25,063,133</u>

Town of Topsfield, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2017

	<u>General</u>	<u>Gould Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 21,826,245	\$ -	\$ -	\$ 21,826,245
Tax Liens	73,126	-	-	73,126
Excises	1,277,346	-	-	1,277,346
Penalties and Interest	41,276	-	-	41,276
Licenses and Permits	240,545	-	-	240,545
Intergovernmental	3,551,492	-	830,598	4,382,090
Charges for Services	255,830	-	629,021	884,851
Fines and Forfeits	49,215	-	-	49,215
Earnings on Investments	45,545	672,907	14,847	733,299
In Lieu of Taxes	76,581	-	-	76,581
Contributions	-	-	96,502	96,502
Miscellaneous	115,066	-	87,780	202,846
Total Revenues	<u>27,552,267</u>	<u>672,907</u>	<u>1,658,748</u>	<u>29,883,922</u>
<u>Expenditures:</u>				
General Government	1,427,305	-	1,289,079	2,716,384
Public Safety	2,494,013	-	21,078	2,515,091
Education	16,500,897	-	1,058,050	17,558,947
Highways and Public Works	1,825,507	-	218,902	2,044,409
Human Services	224,336	-	36,901	261,237
Culture and Recreation	569,002	118,677	93,695	781,374
Debt Service	570,076	-	-	570,076
Intergovernmental	296,783	-	-	296,783
Employee Benefits	3,533,032	-	-	3,533,032
Total Expenditures	<u>27,440,951</u>	<u>118,677</u>	<u>2,717,705</u>	<u>30,277,333</u>
Excess of Revenues Over (Under) Expenditures	<u>111,316</u>	<u>554,230</u>	<u>(1,058,957)</u>	<u>(393,411)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	201,356	-	152,372	353,728
Transfers (Out)	(152,372)	(46,376)	(41,933)	(240,681)
Total Other Financing Sources (Uses)	<u>48,984</u>	<u>(46,376)</u>	<u>110,439</u>	<u>113,047</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>160,300</u>	<u>507,854</u>	<u>(933,519)</u>	<u>(265,365)</u>
Fund Balance, Beginning	<u>5,331,454</u>	<u>8,151,085</u>	<u>960,343</u>	<u>14,442,882</u>
Fund Balance, Ending	<u>\$ 5,491,754</u>	<u>\$ 8,658,939</u>	<u>\$ 26,824</u>	<u>\$ 14,177,517</u>

Town of Topsfield, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
Fiscal Year Ended June 30, 2017

Total governmental fund balances	\$ 14,177,517
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,642,745
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	667,897
Deferred Outflows/Inflows of Resources related to Pensions and Debt Refundings are not required to be reported in the fund financial statements. However, they must be amortized as expenses in future periods in the entity- wide financial statements:	
Deferred Outflows of Resources - Pensions	1,388,177
Deferred Inflows of Resources - Pensions	(231,146)
Deferred Outflows of Resources - Debt Refundings	10,805
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(1,870,500)
Accrued Interest on Bonds	(18,051)
Other Post Employment Benefit Obligations	(13,592,025)
Net Pension Liability	(12,835,452)
Landfill Liability	(781,212)
Capital Leasing	(28,137)
Compensated Absences	(329,119)
Net position of governmental activities	<u>\$ 10,201,499</u>

Town of Topsfield, Massachusetts
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ (265,365)

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.

Assets Acquired	1,494,126	
Depreciation	(965,721)	
Net Effect of Reporting Capital Assets	528,405	528,405

In the statement of activities, the gain on the trade in of capital assets is reported, whereas in the governmental funds, the gain is not reported. 8,500

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 104,518

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 493,339

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is represents the difference in the current and prior year accrued long-term debt interest. 4,447

Some expenses reported in the Statement of Activities, such as compensated absences, pension and other post employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these items. (1,600,908)

Change in net position of governmental activities \$ (727,064)

Town of Topsfield, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2017

	Water <u>Enterprise</u>
Assets	
Current:	
Cash and Cash Investments	\$ 2,054,918
Receivables, Net of Allowance for Uncollectibles:	
User Charges	379,514
Liens	1,356
Noncurrent:	
Assets Not Being Depreciated	1,073,616
Assets Being Depreciated, Net	<u>6,777,513</u>
Total Assets	<u>10,286,917</u>
 Deferred Outflows of Resources	
Pension	<u>81,988</u>
Total Deferred Outflows of Resources	<u>81,988</u>
 Liabilities	
Current:	
Warrants Payable	54,374
Accrued Wages Payable	7,279
Bond Anticipation Notes Payable	1,818,000
Accrued Interest Payable	9,809
Compensated Absences	1,219
Bonds Payable	79,500
Noncurrent:	
Bonds Payable	560,000
Net Pension Liability	758,084
Compensated Absences	4,878
Other Post Employment Benefit Obligations	<u>162,495</u>
Total Liabilities	<u>3,455,638</u>
 Deferred Inflows of Resources	
Pension	<u>13,652</u>
 Net Position	
Net Investment in Capital Assets	5,495,786
Unrestricted	<u>1,403,829</u>
Total Net Position	<u><u>\$ 6,899,615</u></u>

Town of Topsfield, Massachusetts
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2017

	Water <u>Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 1,350,957
	<u>1,350,957</u>
Total Operating Revenues	<u>1,350,957</u>
Operating Expenditures:	
Personal Services	279,646
Nonpersonal Service	544,422
Depreciation	260,362
	<u>1,084,430</u>
Total Operating Expenditures	<u>1,084,430</u>
Operating Income (Loss)	<u>266,527</u>
Nonoperating Revenues (Expenses):	
Interest Expense	<u>(33,969)</u>
Total Nonoperating Revenues (Expenses)	<u>(33,969)</u>
Income (Loss) Before Contributions and Transfers	<u>232,558</u>
Transfers Out	<u>(113,047)</u>
Change in Net Position	<u>119,511</u>
Total Net Position July 1, 2016	<u>6,780,104</u>
Total Net Position June 30, 2017	<u><u>\$ 6,899,615</u></u>

Town of Topsfield, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2017

	Water Enterprise
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,297,575
Payments to Employees	(271,893)
Payments to Vendors	(369,500)
Net Cash Flows Provided (Used) by Operating Activities	<u>656,182</u>
Cash Flows from Non Capital Related Financing Activities:	
Transfer from (to) Other Funds	<u>(113,047)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(113,047)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(565,707)
Payment of Bond Anticipation Note	(1,555,000)
Proceeds from Bonds Anticipation Note	1,818,000
Principal Payments on Notes and Bonds	(79,500)
Interest Expense	(34,789)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(416,996)</u>
Cash Flows from Investing Activities:	
Net Cash Flows Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>126,139</u>
Cash and Cash Equivalents, July 1, 2016	<u>1,928,779</u>
Cash and Cash Equivalents, June 30, 2017	<u><u>\$ 2,054,918</u></u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 266,527
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	260,362
(Increase) Decrease in Assets/Deferred Outflows of Resources	
Accounts Receivable - Customer	(53,382)
Deferred Outflows of Resources - Pensions	13,652
Increase (Decrease) in Liabilities/Deferred Inflows of Resources	
Warrants and Accounts Payable	15,034
Net Pension Liability	153,989
Net Cash Provided by Operating Activities	<u><u>\$ 656,182</u></u>

Town of Topsfield, Massachusetts
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>	Total Fiduciary <u>Funds</u>
Assets			
Cash and Cash Investments	\$ 504,950	\$ -	\$ 504,950
Investments:			
Domestic Equity - Large Cap	-	149,662	149,662
Domestic Equity - Small/Mid Cap	-	67,348	67,348
International Equity - Developed Market	-	59,865	59,865
International Equity - Emerging Market	-	22,449	22,449
Domestic Fixed Income	-	239,458	239,458
Alternatives	-	59,865	59,865
Total Assets	<u>504,950</u>	<u>598,647</u>	<u>1,103,597</u>
Liabilities			
Current	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for:			
Other Post Employment Benefits	-	598,647	598,647
Other Purposes	<u>504,950</u>	<u>-</u>	<u>504,950</u>
Total Net Position	<u>\$ 504,950</u>	<u>\$ 598,647</u>	<u>\$ 1,103,597</u>

Town of Topsfield, Massachusetts
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2017

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>	Total Fiduciary <u>Funds</u>
Additions			
Contribution - Employer	\$ -	\$ 568,827	\$ 568,827
Gift	815	-	815
Interest, Dividends, and Other	30,892	40,148	71,040
Total Additions	<u>31,707</u>	<u>608,975</u>	<u>640,682</u>
Deductions			
Education - Scholarships	4,575	-	4,575
Benefit Payments	-	468,827	468,827
Total Deductions	<u>4,575</u>	<u>468,827</u>	<u>473,402</u>
Change in Net Position	<u>27,132</u>	<u>140,148</u>	<u>167,280</u>
Net Position:			
Beginning of the Year	<u>477,818</u>	<u>458,499</u>	<u>936,317</u>
Ending of the Year	<u>\$ 504,950</u>	<u>\$ 598,647</u>	<u>\$ 1,103,597</u>

Town of Topsfield, Massachusetts
Notes to the Financial Statements
June 30, 2017

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Topsfield as of June 30, 2017. The report includes all the services provided by the Town to its residents and businesses within its boundaries. Municipal services provided include public safety, recreation, public works, library, water and general administration. Criteria used in determining the scope of the reporting entity included the Town's ability to significantly influence operations, selection of governing authority, designation of management, financial interdependency and accountability for fiscal matters. All operations of the Town that meet the preceding criteria are included in the reporting entity.

II. Summary of Significant Accounting Policies

The accounting policies of the Town of Topsfield, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2017, conform to accounting principles generally accepted in the United States of America for local government units.

The more significant accounting policies of the Town are summarized below.

(A) Government-wide and fund financial statements

Government-Wide Financial Statements

The **government-wide financial statements** (i.e., the **statement of net position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

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

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

(B) 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 enterprise 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.

Fund Financial Statements

Governmental **fund** financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise tax, amounts due under grants, charges for services and investment income. Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. All other revenues are recognized when received.

Expenditures are generally recognized (in the fund financial statements) under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental funds:

General Fund – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

Gould Fund – This is a library trust fund. It has an expendable portion and a nonexpendable portion.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types are funds that are included in the nonmajor category:

The special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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

The Town reports the following major proprietary fund:

Water Fund – This fund accounts for activities related to the operation of the water system.

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

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for charitable and scholarship trusts funds.

(C) Budgetary Data

i) General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Finance Committee and to the Selectmen for review during January, February and March of each year. The Selectmen and Finance Committee have until the annual Town meeting warrant is finalized, to make any changes to the departmental requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

ii) Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the Town's annual recap sheet and include only those amounts which pertain to fiscal year 2017. The budget amounts include special Town meeting votes applicable to fiscal year 2017 and any reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis (fund financial statements) for the year ended June 30, 2017.

	<u>Revenues</u>
As Reported Budget Basis	\$ 25,920,241
Adjustments:	
Sixty Day Property Tax Accrual - Net	(60,900)
Stabilization Fund Interest Earnings - General Fund for GAAP	17,478
MTRS Pension Expense Subsidy Included in Intergovernmental Revenue - GAAP Basis	1,675,448
As Reported GAAP Statement	<u><u>\$ 27,552,267</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 25,272,428
Adjustments:	
July 1, 2016 Encumbrances	722,850
June 30, 2017 Encumbrances	(382,457)
OPEB Contribution - Transfer Out on Budgetary Basis, but Employee Benefit Expense on GAAP Basis	100,000
Expense Accrued in Prior Year on GAAP Basis	52,682
MTRS Pension Expense Subsidy Included in Education Expense - GAAP Basis	1,675,448
As Reported GAAP Statement	<u><u>\$ 27,440,951</u></u>

(D) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$15,000 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 acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is 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	20-50
Equipment	5-25
Improvements	20-50
Infrastructure	40-50
Vehicles	5-15

(E) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available". The government wide financial statements (statement of net position) reflect deferred outflows of resources related to pensions and to a debt refunding issue. They, also, reflect deferred inflows of resources related to pensions and to revenues that are not considered available.

(F) Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Net position that is not restricted or otherwise separately stated is reported as unrestricted.

Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

Governmental Accounting Standards Board Statement #54 requires that the Town report fund balance amounts within one of the fund balance categories listed below:

1.**Nonspendable**, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2.**Restricted**, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation,

3.**Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of Town meeting (the Town's highest level of decision-making authority). Committed fund balance cannot be used for any other purpose unless the same formal action (Town meeting vote) that was taken to commit the fund balance is taken to uncommit it or commit it for another purpose.

4.**Assigned**, intended (by the Board of Selectmen or Town Administrator) to be used by the government for specific purposes, but does not meet the criteria to be classified as restricted or committed, and

5.**Unassigned**, the residual classification for the government's governmental funds and includes all spendable amounts not contained in the restricted, committed or assigned categories. Only the general fund may have a positive unassigned fund balance.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Gould Trust</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:				
Nonspendable:				
Perpetual Permanent Funds	\$ -	\$ 8,111,327	\$ 769,068	\$ 8,880,395
Total Nonspendable	<u>-</u>	<u>8,111,327</u>	<u>769,068</u>	<u>8,880,395</u>
Restricted for:				
General Government	-	-	326,892	326,892
Public Safety	-	-	36,402	36,402
Education	-	-	307,797	307,797
Public Works	-	-	666,439	666,439
Human Services	-	-	21,864	21,864
Culture and Recreation	-	547,612	51,660	599,272
Capital Outlay	-	-	57,654	57,654
Debt Services	-	-	27,420	27,420
Kindergarten and Pre-School Tuition	-	-	323,625	323,625
Total Restricted	<u>-</u>	<u>547,612</u>	<u>1,819,753</u>	<u>2,367,365</u>
Committed to:				
General Government	143,627	-	78,372	221,999
Public Safety	161,510	-	-	161,510
Education	179,192	-	69,132	248,324
Public Works	185,207	-	73,316	258,523
Human Services	7,200	-	11,328	18,528
Culture and Recreation	4,415	-	19,870	24,285
Employee Benefits	150,000	-	-	150,000
Capital Outlay	100,000	-	-	100,000
Total Committed	<u>931,151</u>	<u>-</u>	<u>252,018</u>	<u>1,183,169</u>
Assigned to:				
General Government	563	-	-	563
Public Safety	6,243	-	-	6,243
Education	120,645	-	-	120,645
Public Works	8,359	-	-	8,359
Human Services	2,529	-	-	2,529
Culture and Recreation	313	-	-	313
Employee Benefits	19,158	-	-	19,158
Reduce the Tax Levy	176,419	-	-	176,419
Total Assigned	<u>334,229</u>	<u>-</u>	<u>-</u>	<u>334,229</u>
Unassigned	<u>4,226,374</u>	<u>-</u>	<u>(2,814,015)</u>	<u>1,412,359</u>
Total Fund Balances	<u>\$ 5,491,754</u>	<u>\$ 8,658,939</u>	<u>\$ 26,824</u>	<u>\$ 14,177,517</u>

Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "Cities, Towns and Districts may create 1 or more stabilization funds and appropriate any amount into the funds. Any interest shall be added to and become part of the fund".

“The treasurer shall be the custodian of all stabilization funds and may deposit the proceeds in a trust company, co-operative bank or savings bank, if the trust company or bank is organized or exists pursuant to the laws of the commonwealth or any other state or may transact business in the commonwealth and has its main office or a branch office in the commonwealth; a national bank, federal savings bank or federal savings and loan association, if the bank or association may transact business and has its main office or a branch office in the commonwealth; provided, however, that a state-chartered or federally-chartered bank shall be insured by the Federal Deposit Insurance Corporation or its successor; or may invest the funds in participation units in a combined investment fund pursuant to section 38A of chapter 29 or in securities that are legal investments for savings banks.”

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$1,411,640. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet, in accordance with GASB 54.

(G) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Essex Regional Retirement System and the Massachusetts Teachers’ Retirement System and additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(H) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Land	\$ 5,196,767	\$ -	\$ -	\$ 5,196,767
Construction in Progress	295,244	1,205,047	(71,882)	1,428,409
Total Capital Assets Not Being Depreciated	<u>5,492,011</u>	<u>1,205,047</u>	<u>(71,882)</u>	<u>6,625,176</u>
Assets Being Depreciated:				
Buildings	17,665,255	24,530	-	17,689,785
Improvements Other Than Buildings	266,947	-	-	266,947
Infrastructure	14,193,430	71,882	-	14,265,312
Equipment	2,152,171	15,538	-	2,167,709
Vehicles	3,553,445	230,451	(66,678)	3,717,218
Total Capital Assets Being Depreciated	<u>37,831,248</u>	<u>342,401</u>	<u>(66,678)</u>	<u>38,106,971</u>
Less Accumulated Depreciation for:				
Buildings	(8,435,029)	(418,951)	-	(8,853,980)
Improvements Other Than Buildings	(190,266)	(6,756)	-	(197,022)
Infrastructure	(8,814,212)	(153,563)	-	(8,967,775)
Equipment	(1,437,247)	(94,543)	-	(1,531,790)
Vehicles	(1,313,605)	(291,908)	66,678	(1,538,835)
Total Accumulated Depreciation	<u>(20,190,359)</u>	<u>(965,721)</u>	<u>66,678</u>	<u>(21,089,402)</u>
Capital Assets Being Depreciated, Net	<u>17,640,889</u>	<u>(623,320)</u>	<u>-</u>	<u>17,017,569</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,132,900</u>	<u>\$ 581,727</u>	<u>\$ (71,882)</u>	<u>\$ 23,642,745</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 20,956
Public Safety	237,909
Education	284,363
Highways and Public Works	291,439
Human Services	14,112
Culture and Recreation	116,942
Total Governmental Activities Depreciation Expense	<u>\$ 965,721</u>

(H) Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	\$ 323,038	\$ -	\$ -	\$ 323,038
Construction in Progress	1,326,710	566,343	(1,142,475)	750,578
Total Capital Assets Not Being Depreciated	<u>1,649,748</u>	<u>566,343</u>	<u>(1,142,475)</u>	<u>1,073,616</u>
Assets Being Depreciated:				
Buildings	144,521	-	-	144,521
Improvements Other Than Buildings	30,400	-	-	30,400
Infrastructure	10,158,177	1,141,839		11,300,016
Equipment	106,342	-	-	106,342
Vehicles	132,418	-	-	132,418
Total Capital Assets Being Depreciated	<u>10,571,858</u>	<u>1,141,839</u>	<u>-</u>	<u>11,713,697</u>
Less Accumulated Depreciation for:				
Buildings	(51,945)	(3,613)	-	(55,558)
Improvements Other Than Buildings	(22,900)	(1,000)	-	(23,900)
Infrastructure	(4,468,595)	(233,742)	-	(4,702,337)
Equipment	(87,591)	(2,534)	-	(90,125)
Vehicles	(44,791)	(19,473)	-	(64,264)
Total Accumulated Depreciation	<u>(4,675,822)</u>	<u>(260,362)</u>	<u>-</u>	<u>(4,936,184)</u>
Capital Assets Being Depreciated, Net	<u>5,896,036</u>	<u>881,477</u>	<u>-</u>	<u>6,777,513</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,545,784</u>	<u>\$ 1,447,820</u>	<u>\$ (1,142,475)</u>	<u>\$ 7,851,129</u>

Depreciation expense was charged to functions as follows:

Business-type Activities:

Water \$ 260,362

(I) Cash and Investments, Property Taxes and Warrants Payable

(i) Cash and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of six months or less months from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Depository Trust ("MMDT").

Deposits

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. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, \$4,066,498 of the Town's bank balance of \$14,435,366 was exposed to credit risk as follow:

Uninsured and Uncollateralized \$ 4,066,498

Investments

As of June 30, 2017, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U. S. Government Obligations	\$ 551,159	\$ -	\$ 551,159	\$ -
Corporation Notes and Bonds	<u>3,066,864</u>	<u>723,329</u>	<u>2,036,958</u>	<u>306,577</u>
Total	<u>\$ 3,618,023</u>	<u>\$ 723,329</u>	<u>\$ 2,588,117</u>	<u>\$ 306,577</u>
Other Investments:				
Money Market Funds	\$ 357,967			
Certificates of Deposit	809,678			
Mutual Funds	1,054,926			
Equities	6,270,877			
Mass. Municipal Depository Trust	<u>1,315,911</u>			
Total Other Investment	<u>9,809,359</u>			
Total Investments	<u>\$ 13,427,382</u>			

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have a formal policy relating to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy that limits the amount it may invest in a single issuer.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Towns' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Town's own data.

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town has the following recurring fair value measurements as of June 30, 2017:

		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	<u>Total</u>			
Investment by Fair Value Level:				
U. S. Treasuries	\$ 119,173	\$ 119,173	\$ -	\$ -
Government Agency	431,986	431,986	-	-
Corporate Bonds	2,467,547	-	2,467,547	-
Mutual Funds	1,054,926	1,054,926	-	-
Money Market Mutual Funds	357,967	357,967	-	-
Fixed Income Funds	599,317	599,317	-	-
Common Stock	6,270,877	6,270,877	-	-
Total Assets in the Fair Value Hierarchy	<u>11,301,793</u>	<u>\$ 8,834,246</u>	<u>\$ 2,467,547</u>	<u>\$ -</u>
Investment not Subject to Fair Value Hierarchy Reporting:				
Certificates of Deposit	809,678			
Mass. Municipal Depository Trust	<u>1,315,911</u>			
Total Investments	<u>\$ 13,427,382</u>			

The investments classified in level 1 of the fair value hierarchy were valued using prices quoted in active markets for those securities.

ii) Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. Estimated bills (based on the prior year) are due on August 1 and November 1. Actual bills are mailed after the tax rate has been set and are due on February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1st of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town's property. In addition, the law limits the amount by which the total property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth.

iii) Warrants Payable

This account consists of those warrants approved by the Town Accountant for payment between July 1 and July 15. These warrants have been recorded as expenditures during the current fiscal year and the corresponding credit is to the account entitled warrants payable.

(J) Interfund Transfers, Compensated Absences, Long Term Obligations, Estimates and Total Column

i) Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues nor expenditures of the funds.

Operating transfers - by fund - are detailed below:

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 201,356	\$ (152,372)	\$ 48,984
Gould Trust	-	(46,376)	(46,376)
Non-major Governmental	152,372	(41,933)	110,439
Enterprise - Business Type	-	(113,047)	(113,047)
Total	<u>\$ 353,728</u>	<u>\$ (353,728)</u>	<u>\$ -</u>

ii) Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave benefits. The liabilities have been calculated using the vesting method, in which leave amounts are considered for employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

iii) Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

iv) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

v) Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(K) Pension Plans

A. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at:

https://www.essexregional.com/sites/essexregionalretirement/files/uploads/67_and_68_report_start_errs_fy2017.pdf

or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

Benefits Provided

The Essex Regional Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
	<u>Hired on or before April 1 2012</u>		
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and

multiplied by a percentage according to the tables below based on the age and years of the member at retirement:

<u>Benefit %</u>	<u>Hired on after April 1 2012</u>		
	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50

percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Essex Regional Retirement System contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established by and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contractually required contribution rate for the year ended June 30, 2017 was 23.26% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,024,777 for the year ending June 30, 2017.

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Town reported a liability of \$13,593,536 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 3.741283%.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,569,748. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (244,798.00)
Change in assumptions	576,107	-
Net differences between projected and actual earnings on pension plan investments	595,465	-
Changes in proportion and differences between contributions and proportionate share of contributions	298,593	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,470,165</u>	<u>\$ (244,798)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The Town did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2017	\$ 342,911
2018	342,911
2019	355,832
2020	157,202
2021	26,511

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016.

Valuation Date	January 1, 2016														
Actuarial Cost Method	Entry age normal cost method														
Amortization Method	7.41% contribution increases for five years,, 6.36% for one year and 4.00% increases thereafter until final year which will be 3.89% %														
Remaining Amortization Period	18 years for the fresh start base														
Asset Valuation Method	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value. (same as prior valuation)														
Salary Increases	<table><tr><td>In Year</td><td></td></tr><tr><td>1</td><td>7.50%</td></tr><tr><td>2</td><td>6.50%</td></tr><tr><td>3</td><td>6.00%</td></tr><tr><td>4</td><td>5.50%</td></tr><tr><td>5</td><td>5.00%</td></tr><tr><td>Thereafter</td><td>3.75%</td></tr></table>	In Year		1	7.50%	2	6.50%	3	6.00%	4	5.50%	5	5.00%	Thereafter	3.75%
In Year															
1	7.50%														
2	6.50%														
3	6.00%														
4	5.50%														
5	5.00%														
Thereafter	3.75%														
Cost of Living Adjustments	3.00% of first \$13,000 (granted annually)														
Rates of Retirement	Varies based upon age for general employees, police and fire employees.														
Rates of Disability	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and Group 2 and 10% ordinary and 90% accidental for Group 4.														
Mortality Rates Were Based on the Tables Noted Below:															
Pre-Retirement	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. (Prior valuation used the same assumption))														
Disabled Retiree	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time. (Prior valuation used the same assumption))														
Investment Rate of Return/Discount Rate	7.75.% per year (8.00% in prior valuation)														

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D and the RP-2000 Healthy Annuitant Mortality Table generationally from 2009 with Scale BB2D were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Global Equities:		
Large Cap Equities	14.50%	7.50%
Mid/Small Cap Equities	3.50%	7.75%
International Equities	16.00%	7.83%
Emerging Market Equities	6.00%	9.61%
Core Fixed Income:		
Core Bonds	5.00%	4.00%
20+ Year Treasury STRIPS	5.00%	3.75%
TIPS	3.00%	3.75%
Value-Added Fixed Income:		
High-Yiel Bonds	1.50%	5.75%
Bank Loans	1.50%	6.00%
EMD (External)	1.00%	5.75%
EMD (Local Currency)	2.00%	6.50%
Private Debt	4.00%	9.06%
Private Equity	10.00%	9.50%
Real Estate	10.00%	6.50%
Timberland	4.00%	6.00%
Hedge Funds/Portfolio Completion	13.00%	6.48%
	<hr/>	<hr/>
Total Target Allocation/Total Rate of Return	100.00%	7.80%
	<hr/>	<hr/>

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2016 (net of investment expenses) was 7.80%. (1.04% for December 31, 2015). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.75% (8.00% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Essex Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's share of the net pension liability of the Essex Regional Retirement System, calculated using the discount rate of 7.75%, as well as what the Essex Regional Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Town's proportionate share of the Net Pension Liability	\$16,661,195	\$13,593,536	\$11,324,001

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Essex Regional Retirement System financial report. The System issues a stand-alone financial report that can be obtained through the Systems website at:

https://www.essexregional.com/sites/essexregionalretirement/files/uploads/67_and_68_report_start_errs_fy2017.pdf

C. Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and*

Financial Reporting for Pensions. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

For the fiscal year ended June 30, 2017, the Town's proportionate share of the collective pension expense was \$1,675,448. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2017, or fund balance/net position at June 30, 2017.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$16,424,903.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.mass.gov/comptroller/docs/reports-audits/cafr/2016-cafr.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for MTRS vary depending on the most recent date of membership.

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984-6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation
1979 to present	An additional 2% of regular compensation over \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct)
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of

geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Global Equity	40.00%	6.90%
Core fixed income	13.00%	1.60%
Private Equity	10.00%	8.70%
Real estate	10.00%	4.60%
Value Added Fixed Income	10.00%	4.80%
Hedge Funds	9.00%	4.00%
Portfolio Completion Strategies	4.00%	3.60%
Timber/Natural Resources	4.00%	5.40%
	<u>100%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at:

<http://www.mass.gov/mtrs/docs/financial-reports/gasb68report-06302016.pdf>

L) Other Postemployment Benefits (OPEB) Disclosures

- a. The Governmental Accounting Standards Board (GASB) issued Statement #74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* which became effective for the current reporting period. GASB Statement #74 relates to reporting requirements of the Town's OPEB Trust fund. The net other post-employment benefits **liability** reported in the GASB Statement #74 disclosures differs from the net other post-employment benefits **obligation** amount reported in the Town's statement of net position. The reporting requirements related to the Town's statement of net position are currently guided by GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under GASB Statement #45, the reporting of the Town's net other post-employment benefits liability is being "phased in" over a thirty year period. Concurrent with GASB Statement #74, the GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement #75 (effective for the June 30, 2018 reporting period) which eliminates the thirty year phase in of the other post-employment benefits liability. Therefore, the net other post employment liability reported in the Town's June 30, 2018 statement of net position will agree with the GASB Statement #74 disclosures related to the Town's OPEB Trust.

Plan Description.

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the

Town. Management of the plan is vested in the Commissioners and the Town's Treasurer.

Plan Membership: At June 30, 2017, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	82
Active Plan Members	<u>164</u>
Total	246

Benefits Provided: The Town provides retired employees and their spouses and dependents with payments for a portion of their health care benefits. Benefits are provided through a third party insurer.

Contributions. An employee who is eligible to receive retirement pension benefits is eligible to receive other post employment benefits. The Department pays 70% of the total premiums for health insurance, 50% of the dental premiums and 50% of the premiums for a \$5,000 life insurance policy. The contribution requirements of plan members and the Department are established by union agreements and may be amended from time to time.

Investments

Investment Policy: The plan's policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Board of Selectmen. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2017:

	<u>Target Allocation</u>
Domestic Equity - Large Cap	25.00%
Domestic Equity - Small/Mid Cap	11.25%
International Equity - Developed Market	10.00%
International Equity - Emerging Market	3.75%
Domestic Fixed Income	40.00%
International Fixed Income	0.00%
Alternatives	10.00%
Real Estate	0.00%
Cash	0.00%
	<u><u>100.00%</u></u>

Concentrations

The OPEB plan did not hold investments in any one organization that represent 5 percent or more of the OPEB plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 6.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the Net OPEB liability of the Town at June 30, 2017 were as follows:

Total OPEB Liability	\$16,211,312
Plan Fiduciary Net Position	(598,647)
Net OPEB Liability	<u>\$15,612,665</u>

Plan fiduciary net position as a percentage of the total OPEB liability	3.69%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% as of June 30, 2017 and for future periods
Salary Increases	3.00% annually as of June 30, 2017 and for future periods
Single Equivalent Discount Rate	4.5%, net of OPEB plan investment expense, including inflation
Mortality Rates were based on the tables noted below:	
Healthy:	
Pre-Retirement	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the table below:

	Long Term Expected Rate of Return
Domestic Equity - Large Cap	4.00%
Domestic Equity - Small/Mid Cap	6.00%
International Equity - Developed Market	4.50%
International Equity - Emerging Market	7.00%
Domestic Fixed Income	2.00%
International Fixed Income	3.00%
Alternatives	6.50%
Real Estate	6.25%
Cash	0.00%

Discount rate: The discount rate used to measure the total OPEB liability was 4.5% (3.5% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will not be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, a blended rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>3.50%</u>	Discount Rate <u>4.50%</u>	1% Increase <u>5.50%</u>
Net OPEB Liability (asset)	\$18,209,684	\$15,612,665	\$13,531,307

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend	1% Increase
	<u>4.00%</u>	<u>5.00%</u>	<u>6.00%</u>
Net OPEB Liability (asset)	\$12,015,719	\$15,612,665	\$20,168,974

Employer's Reporting (GASB Statement #45)

Annual OPEB Cost and OPEB Obligation. The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year ended June 30, 2017, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$ 1,988,387
Interest on Net OPEB Obligation	442,209
Adjustment to the ARC	(663,725)
Amortization of Actuarial (Gains)/Losses	(74,947)
Annual OPEB Cost (Expense)	<u>1,691,924</u>
Contributions Made	<u>(571,922)</u>
Increase in Net OPEB Obligation	<u>1,120,002</u>
Net OPEB Obligation (NOO)- Beginning of Year	<u>12,634,518</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$ 13,754,520</u></u>

The Town's annual required contribution, the percentage of the annual required contribution contributed to the plan and the net OPEB obligation for recent years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution (ARC)</u>	<u>Percentage of</u> <u>ARC</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	\$2,055,263	15.1%	\$11,529,047
2016	\$1,958,253	26.4%	\$12,634,519
2017	\$1,988,387	28.8%	\$13,754,520

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the Actuarial Accrued Liability (AAL) for benefits was \$18,349,471 and the actuarial value of assets was \$342,853, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$18,006,618. The actual value of the assets as a percentage of the Actuarial Accrued Liability (funded ratio) was 1.9%. **Subsequent to the most recent valuation date, the Town made contributions to and had earnings in the OPEB trust. The balance in the OPEB trust as of June 30, 2017, was \$598,647. The plan assets are recorded and reported in the Town's fiduciary fund financial statements.**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. 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 (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3.5% investment rate of return (4.0% in prior valuation), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5% per year (the same as the previous valuation). The actuarial value of assets was determined using market value. The UAAL is being amortized over a thirty year amortization period with 26 years remaining at July 1, 2015.

III. Detail Notes on All Funds

(A) Accounts Receivable

The accounts receivable on the balance sheet are listed below by levy.

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes

2017	\$ 133,518	
2016	9,479	
2015	9,704	
2014	9,263	
2013	8,399	
2012	8,825	
Total Real Estate Taxes		<u>\$ 179,188</u>

Personal Property Taxes

2017	\$ 1,053	
2016	834	
2015	521	
2014	602	
2013	242	
2012	239	
2011 and prior	840	
Total Personal Property Taxes		<u>4,331</u>

Total Property Taxes Receivable	<u>\$ 183,519</u>
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Tax Liens	<u>\$ 130,314</u>
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Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2017	\$ 53,166	
2016	7,430	
2015	2,887	
2014	2,000	
2013	2,065	
2012	2,132	
2011	951	
Tax Excise Receivable		<u>\$ 70,631</u>

(A) Accounts Receivable (Continued)

Intergovernmental:

Commonwealth - Highway Funds

\$ 366,916

Total Intergovernmental

\$ 366,916

Business Type Activities:

User Charges:

Water

\$ 379,514

Liens:

Water Liens

\$ 1,356

(B) Liabilities

i Bond Anticipation Notes Payable

The Town has various bond anticipation notes outstanding as of June 30, 2017 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
<u>Governmental Activities:</u>						
Highway Dump Truck	\$ 74,000	\$ -	\$ 74,000	\$ -		
SCH - Exterior Painting & Preservation	135,000	110,000	135,000	110,000	10/20/2017	2.00%
Town Hall Exterior Envelop Repair	177,000	177,000	177,000	177,000	10/20/2017	2.00%
HWY Catch Basin Cleaner Truck	165,000	165,000	165,000	165,000	10/20/2017	2.00%
Fire Ladder Truck	1,000,000	1,000,000	1,000,000	1,000,000	10/20/2017	2.00%
Fire Rescue Vehicle	210,000	210,000	210,000	210,000	10/20/2017	2.00%
SCH - Steward Sidewalk Repair	-	20,000	-	20,000	10/20/2017	2.00%
SCH - Proctor Hallway Floors	-	60,000	-	60,000	10/20/2017	2.00%
SCH - Proctor LIB HVAC Sys Engineer	-	20,000	-	20,000	10/20/2017	2.00%
SCH - Proctor Lavatory Renovations	-	48,000	-	48,000	10/20/2017	2.00%
SCH - Cupola & Engineering Study	-	49,000	-	49,000	10/20/2017	2.00%
Town Hall Renovation	-	1,500,000	-	1,500,000	10/20/2017	1.35%
Town Hall Renovation	-	6,000,000	-	6,000,000	3/8/2018	2.00%
Total	<u>\$ 1,761,000</u>	<u>\$ 9,359,000</u>	<u>\$ 1,761,000</u>	<u>\$ 9,359,000</u>		
<u>Business-Type Activities:</u>						
Water Mains - Washington St.	\$ 900,000	\$ 318,000	\$ 900,000	\$ 318,000	10/20/2017	2.00%
Water Mains - Washington St.	200,000	700,000	200,000	700,000	10/20/2017	1.35%
Water Treatment Plant	455,000	800,000	455,000	800,000	10/20/2017	1.35%
Total	<u>\$ 1,555,000</u>	<u>\$ 1,818,000</u>	<u>\$ 1,555,000</u>	<u>\$ 1,818,000</u>		

(B) Liabilities (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2017, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2017:

<u>Governmental Activities:</u>	Sale Date	Original	True	Final Maturity	Balance			Balance
<u>General Obligation Bond</u>	<u>Fiscal Year</u>	<u>Borrowing</u>	<u>Interest Cost</u>	<u>Fiscal Year</u>	<u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>July 1, 2017</u>
Bridge Reconstruction	1/15/2011	\$ 360,000	2.0 - 4.0%	2021	\$ 161,000	\$ -	\$ (30,500)	\$ 130,500
Building Construction	1/15/2011	823,000	2.0 - 4.0%	2020	405,000	-	(80,000)	325,000
Library Building Remodeling	1/15/2011	649,000	2.0 - 4.0%	2018	195,000	-	(95,000)	100,000
Landfill Area - Close	1/15/2011	765,000	2.0 - 4.0%	2021	390,000	-	(95,000)	295,000
Building - Town Hall	2/14/2012	70,000	2.0 - 4.0%	2019	30,000	-	(10,000)	20,000
Building - School	2/14/2012	66,000	2.0 - 4.0%	2022	45,000	-	(5,000)	40,000
Engineering - School	2/14/2012	267,000	2.0 - 4.0%	2022	170,000	-	(25,000)	145,000
School Project	2/14/2012	1,543,000	2.0 - 4.0%	2022	970,000	-	(155,000)	815,000
Total Governmental Activities					<u>\$2,366,000</u>	<u>\$ -</u>	<u>\$ (495,500)</u>	<u>\$ 1,870,500</u>

<u>Business Type Activities:</u>	Sale Date	Original	True	Final Maturity	Balance			Balance
<u>General Obligation Bond</u>	<u>Fiscal Year</u>	<u>Borrowing</u>	<u>Interest Cost</u>	<u>Fiscal Year</u>	<u>July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>July 1, 2017</u>
Washington Grove	1/15/2011	\$ 505,000	2.0 - 4.0%	2026	\$ 330,000	\$ -	\$ (35,000)	\$ 295,000
Water Mains Ipswich RD	1/15/2011	550,000	2.0 - 4.0%	2026	350,000	-	(35,000)	315,000
10% Public Works Bond	1/15/2011	40,000	2.0 - 4.0%	2021	39,000	-	(9,500)	29,500
Total Business Type Activities					<u>\$ 719,000</u>	<u>\$ -</u>	<u>\$ (79,500)</u>	<u>\$ 639,500</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$505,500	\$50,827	\$79,500	\$21,403
2019	420,000	37,190	80,000	19,415
2020	425,000	22,490	80,000	17,015
2021	320,000	11,840	70,000	14,615
2022	200,000	4,000	70,000	12,375
2023-2026	<u>0</u>	<u>0</u>	<u>260,000</u>	<u>24,375</u>
	<u>\$1,870,500</u>	<u>\$126,347</u>	<u>\$639,500</u>	<u>\$109,198</u>

(B) Liabilities (Continued)

(c) Refunding of Long Term Debt

On February 14, 2012, the Town issued \$1,946,000 of General Obligations Refunding Bonds with an average interest rate of 1.34% as its share of an advance refunding of \$5,740,000 of outstanding debt with an average interest rate of 2.87%. The Town received a grant from the Massachusetts School Building Authority in the amount of \$3,772,390 for the school projects being refinanced with the grant and the bond proceeds. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were invested pursuant to G.L. C. 44, s. 55. As a result, the refunded bonds are considered to be defeased.

	Existing Debt Principal & Interest	Refunding Bonds Principal & Interest
<u>Fiscal Year</u>		
2018	\$743,665	\$226,600
2019	745,000	230,600
2020	734,250	222,200
2021	727,500	208,000
2022	<u>724,500</u>	<u>204,000</u>
	<u>\$3,674,915</u>	<u>\$1,091,400</u>

Economic Gain from Refunding Issue

The total net present value benefit as a result of the refunding issues is \$1,034,954.

(e) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2017, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 6, 2014	Water Main - Washington St.	\$1,018,000
May 6, 2014	Fire Ladder Truck	1,000,000
May 6, 2014	Water Treatment Plant Design	800,000
May 6, 2014	Fire Rescue Vehicle	210,000
May 5, 2015	Catch Basin Cleaner	165,000
May 5, 2015	School Building Remodeling	110,000
May 5, 2015	School Building Remodeling	60,000
May 5, 2015	Planning School Roof	49,000
May 5, 2015	School Building Remodeling	48,000
May 5, 2015	Sidewalk Repair	20,000
May 5, 2015	Planning - HVAC Library	20,000
May 5, 2015	Town Hall Remodeling	227,000
May 3, 2016	Town Hall Design/Remodeling	9,859,000
May 2, 2017	Water Mains	1,500,000
May 2, 2017	School Roofs	7,651,757
June 20, 2017	Water Treatment Facility	<u>9,250,000</u>
	Total	<u>\$31,987,757</u>

(C) Liabilities (Continued)

iii Changes in the government's long-term liabilities for the year ended June 30, 2016 are as follows:

	Balance July 1, 2016	Additions	Reductions	Balance July 1, 2017	Current Portion
Governmental Activities:					
Bonds Payable	\$ 2,366,000	\$ -	\$ (495,500)	\$ 1,870,500	\$ 505,500
Capital Lease Obligations	55,196	-	(27,059)	28,137	28,137
Post-Closure Landfill Monitoring	825,511	-	(44,299)	781,212	38,700
Compensated Absences	280,785	104,491	(56,157)	329,119	65,824
Net Pension Liability	11,908,007	2,219,722	(1,292,277)	12,835,452	-
Other Post Employment Benefits	<u>12,488,496</u>	<u>1,672,118</u>	<u>(568,589)</u>	<u>13,592,025</u>	<u>-</u>
Total Governmental Activities	<u>\$ 27,923,995</u>	<u>\$ 3,996,331</u>	<u>\$ (2,483,881)</u>	<u>\$ 29,436,445</u>	<u>\$ 638,161</u>
Business Type Activities:					
Bonds Payable	\$ 719,000	\$ -	\$ (79,500)	\$ 639,500	\$ 79,500
Compensated Absences	0	6,097	0	6,097	1,219
Net Pension Liability	604,095	131,287	22,702	758,084	-
Other Post Employment Benefits	<u>146,022</u>	<u>19,806</u>	<u>(3,333)</u>	<u>162,495</u>	<u>-</u>
Total Business Type Activities	<u>\$ 1,469,117</u>	<u>\$ 157,190</u>	<u>\$ (60,131)</u>	<u>\$ 1,566,176</u>	<u>\$ 80,719</u>

IV. Subsequent Year Authorizations

At the May 2, 2017 annual town meeting, the Town adopted a fiscal 2018 operating and capital budget of \$29,765,118. Fiscal 2018 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$ 25,288,825
Enterprise Fund Revenues	1,461,144
Enterprise Fund Retained Earnings	1,504,522
Other Available Funds	100,000
Committed Fund Balance	184,528
Restricted Fund Balance	318,176
General Fund - Committed Fund Balance	731,504
General Fund - Assigned Fund Balance	176,419
Total	<u>\$ 29,765,118</u>

V. Significant Commitments

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes encumbrances of \$157,810.

VI. Implementation of New GASB Pronouncements

During fiscal year 2017, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement required new disclosures and required supplementary information schedules related to the Town's Other Post-Employment Benefits Trust Fund.
- The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* which is required to be implemented in fiscal year 2017. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal years beginning after June 15, 2017.
- The GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal years beginning after December 15, 2016.
- The GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* which is required to be implemented in fiscal years beginning after June 15, 2018.
- The GASB issued Statement No. 84, *Fiduciary Activities* which is required to be implemented in fiscal years beginning after December 15, 2018.
- The GASB issued Statement No. 85, *Omnibus 2017* which is required to be implemented in fiscal years beginning after June 15, 2017.

- The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* which is required to be implemented in fiscal years beginning after June 15, 2017
- The GASB issued Statement No. 87, *Leases* which is required to be implemented in fiscal years beginning after December 15, 2019.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statement #75 will have a significant impact on the Town's basic financial statements by recognizing the entire actuarially accrued liability and expense, related to the Town's Other Post-Employment Benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Topsfield, Massachusetts
Required Supplementary Information
Statement of Revenues and Expenditures - Budget and Actual
General Fund (Budgetary Basis)
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues</u>				
Property Taxes	\$ 21,800,858	\$ 21,800,858	\$ 21,887,144	\$ 86,286
Tax Liens	-	-	73,126	73,126
Excises	905,000	905,000	1,277,346	372,346
Penalties and Interest	26,000	26,000	41,276	15,276
Licenses and Permits	190,000	190,000	240,545	50,545
Intergovernmental	1,875,920	1,875,920	1,876,044	124
Charges for Services	178,000	178,000	255,830	77,830
Fines and Forfeits	49,000	49,000	49,215	215
Earnings on Investments	13,000	13,000	28,068	15,068
In Lieu of Taxes	56,500	56,500	76,581	20,081
Miscellaneous	10,500	10,500	115,066	104,566
Total Revenues	<u>25,104,778</u>	<u>25,104,778</u>	<u>25,920,241</u>	<u>815,463</u>
<u>Expenditures</u>				
General Government	1,378,977	1,409,786	1,260,182	149,604
Public Safety	2,471,661	2,482,956	2,422,289	60,667
Education	14,838,396	14,838,396	14,801,769	36,627
Highway and Public Works	1,737,120	1,829,637	1,797,823	31,814
Health and Human Services	242,836	228,519	208,553	19,966
Culture and Recreation	573,491	575,507	561,743	13,764
Debt Service	579,486	579,486	570,076	9,410
Intergovernmental	294,285	294,285	296,783	(2,498)
Employee Benefits	3,830,934	3,630,242	3,353,210	277,032
Total Expenditures	<u>25,947,186</u>	<u>25,868,814</u>	<u>25,272,428</u>	<u>596,386</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(842,408)</u>	<u>(764,036)</u>	<u>647,813</u>	<u>1,411,849</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	201,356	201,356	201,356	-
Transfers Out	(299,000)	(377,372)	(377,372)	-
Unrestricted Net Position	940,052	940,052	940,052	-
Total Other Financing Sources (Uses)	<u>842,408</u>	<u>764,036</u>	<u>764,036</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,411,849</u>	<u>\$ 1,411,849</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Topsfield, Massachusetts' Proportionate Share of the Net Pension Liability
Essex Regional Retirement System
Last Ten Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Town's proportionate share of net pension liability (asset) (%)	3.528151%	3.443645%	3.383071%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>						
Town's proportionate share of net pension liability (asset) (\$)	13,593,536	12,512,102	11,477,481							
Town's covered-employee payroll	4,405,007	4,486,856	4,050,676							
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	308.59%	278.86%	283.35%							
Plan fiduciary net position as a percentage of the pension liability	51.12%	51.01%	52.27%							

** The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Town of Topsfield, Massachusetts' Employers Contributions
Essex Regional Retirement System
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>									
Contractually required contribution	\$ 1,022,265	\$ 946,077	\$ 867,685							
Contributions in relation to the contractually required contribution	<u>(1,024,777)</u>	<u>(948,614)</u>	<u>(867,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (2,512)</u>	<u>\$ (2,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	4,405,007	4,486,856	4,050,676							
Contributions as a percentage of covered-employee payroll	23.26%	21.14%	21.42%							

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of Town of Topsfield's Proportionate Share of the Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Town's proportionate share of collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>						
Town's proportionate share of collective net pension liability (asset) (\$)	\$ -	\$ -	\$ -							
State's proportionate share of collective net pension liability (asset) associated with Town (\$)	<u>\$ 16,424,903</u>	<u>\$ 15,159,297</u>	<u>\$ 10,923,645</u>							
Total	<u>\$ 16,424,903</u>	<u>\$ 15,159,297</u>	<u>\$ 10,923,645</u>							
Town's covered-employee payroll	4,832,143	4,689,826	4,213,440							
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%							
Plan fiduciary net position as a percentage of the pension liability	52.73%	55.38%	61.64%							
Town's expense and revenue recognized for Commonwealth support	<u>\$ 1,675,448</u>	<u>\$ 1,229,554</u>	<u>\$ 758,918</u>							

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Funding Progress and Employer's Contributions - Other Post Employment Benefits (GASB 45)
Fiscal Year Ended June 30, 2017

Projected Unit Credit, Pay-As-You-Go Assumptions (4.00%)

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b) - (a) / (c)]</u>
7/1/2011	\$0	\$22,221,197	\$22,221,197	0%	\$8,308,723	267%
7/1/2013	\$130,198	\$15,141,371	\$15,011,173	0.9%	N/A	N/A
7/1/2015	\$342,853	\$18,349,471	\$18,006,618	1.9%	N/A	N/A

Schedule of Employer's Contributions

Fiscal Year <u>Ended June 30</u>	Annual Required Contribution (ARC) <u>Contribution (ARC)</u>	Percentage of ARC <u>Contributed</u>	Net OPEB Obligation <u>Obligation</u>
2015	\$2,055,263	15.1%	\$11,529,047
2016	\$1,958,253	26.4%	\$12,634,519
2017	\$1,988,387	28.8%	\$13,754,520

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Valuation Details - Other Post Employment Benefits (GASB 45)
Fiscal Year Ended June 30, 2017

Valuation Date	July 1, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	As Level Dollar Amount over 30 years
Remaining Amortization Period	26 Years as of July 1, 2015
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	3.5% (previously 4.0%)
Medical/Drug Cost Trend Rate	5%
Dental Cost Trend Rate	5%

Plan Membership:

Current retirees, beneficiaries, and dependents	82
Current active members	<u>164</u>
Total	<u><u>246</u></u>

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios (GASB 74)
June 30, 2017
Last 10 Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability										
Service cost	\$ 597,061	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>								
Interest	708,300									
Changes of benefit terms	-									
Difference between expected and actual experience	-									
Changes in assumptions	-									
Benefit payments including implicit cost	(468,827)									
Net change in total OPEB liability	836,534									
Total OPEB liability - beginning	15,374,778									
Total OPEB liability - ending (a)	<u>\$ 16,211,312</u>									
Plan Fiduciary net position										
Contributions - employer	\$ 568,827									
Net investment income	40,148									
Benefit payments	(468,827)									
Administrative expense	-									
Net change in plan fiduciary net position	140,148									
Plan fiduciary net position - beginning	458,499									
Plan fiduciary net position - ending (b)	<u>\$ 598,647</u>									
Town's net OPEB liability - ending (a) - (b)	<u>\$ 15,612,665</u>									
Plan fiduciary net position as a percentage of the total OPEB liability	3.69%									
Covered-employee payroll	\$ 9,205,453									
Town's net OPEB liability as a percentage of covered - employee payroll	169.60%									

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Contributions (GASB 74)
June 30, 2017
Last 10 Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>									
Actuarial determined contribution	\$ 1,473,361									
Contributions in relating to the actuarially determined contribution		568,827								
Contribution deficiency (excess)		<u>\$ 904,534</u>								
Covered-employee payroll	\$ 9,205,453									
Contributions as a percentage of covered-employee payroll	6.18%									

Notes to Schedule

Valuation date: 7/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal Cost
Asset valuation method	Market Value
Inflation	2.75% as of June 30, 2017 and for future periods
Single Equivalent Discount Rate	4.50%
Salary increases	3.00% annually as of June 30, 2017 and for future periods

Mortality

Healthy:

Pre-Retirement	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

Other information:

The discount rate utilized was 4.5%. It was, previously, 3.5%.

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Investment Returns (GASB 74)
June 30, 2017
Last 10 Fiscal Year

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual money-weighted rate of return, net of investment expense	6.34%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>								

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Notes to the Required Supplementary Information
June 30, 2017

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations. Encumbrances still open at year end are reported as a reservation of fund balance. Encumbrances do not constitute expenditures or liabilities.

(B) Pension Plans

I. Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers' Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The Town is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

The Town, also, provides benefits to teachers through the Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67. The Commonwealth of Massachusetts is statutorily responsible for 100% of the

actuarially determined employer contributions. Therefore, the Town has a special funding situation.

ii. Funding Plan

Active members of the Essex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

iii. Changes in Benefit Terms

Chapter 176 of the Acts of 2011 was incorporated in the valuation. The benefit features (i.e. retirement age, percentages used in calculation of pensions) changed for members hired on or after April 2, 2012.

iv. Change in Assumptions

Discount Rate:

The discount rate was lowered from 8.00% to 7.75%.

(C) Other Postemployment Benefits

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," the Department accounts for and reports the value of its future OPEB obligations currently rather than on a pay as you go basis.

i. Plan Description

In addition to providing pension benefits, the Department provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Department retirees receiving a pension from the Essex Regional Retirement System are eligible for post-retirement medical benefits. Currently there are approximately 164 active employees and 82 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

ii. Funding Policy

The Department pays 70% of the total premiums for health insurance, 50% of the dental premiums and 50% of the premiums for a \$5,000 life insurance policy. The contribution requirements of plan members and the Department are established by union agreements and may be amended from time to time.

iii. Annual OPEB Cost and OPEB Obligation

The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Department, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

INDEPENDENT AUDITOR'S 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*

Board of Selectmen
Town of Topsfield
Eight West Common
Topsfield, MA 01983

We have audited, in accordance with the 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, the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Topsfield, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Topsfield's basic financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Topsfield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Topsfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Topsfield's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Topsfield's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
February 26, 2018

FACSIMILE BID FORM
Town of Topsfield, Massachusetts
\$14,217,292
General Obligation Bond Anticipation Notes

Sale Date: May 2, 2018
Dated Date: May 11, 2018

Ms. Barbara Michalowski, Treasurer
Town of Topsfield, MA
c/o Eastern Bank
Municipal Finance Department
265 Franklin Street
Boston, Massachusetts 02110

Dear Ms. Michalowski:

For all or a portion of the principal amount of \$14,217,292 General Obligation Bond Anticipation Notes, as described further in the Notice of Sale dated April 25, 2018, we will pay the Town a price of not less than par as follows, plus accrued interest to date of delivery, provided the Notes bear the following interest rate:

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Premium</u>	<u>NIC</u>
<u>\$</u>	<u> </u> %	<u>\$</u>	<u> </u> %
<u> </u>	<u> </u>	<u> </u>	<u> </u>

In submitting this bid, we accept the terms and conditions as defined in the Notice of Sale dated April 25, 2018.

Bids submitted for all the Notes or any portion thereof must include a premium of not less than \$2.16 per \$1,000.

All bids are subject to verification prior to award.

Submitted By: _____

Telephone: _____

Fax bids to 617-235-8110 until 11:00 A.M. (local time) on Wednesday, May 2, 2018.

Please direct all questions to Lori Lombard, Vice President, Eastern Bank at (617) 235-8106.