

**FINAL OFFICIAL STATEMENT DATED JANUARY 11, 2011****NEW ISSUE**

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

**\$4,040,000****TOWN OF TOPSFIELD, MASSACHUSETTS****General Obligation Municipal Purpose Loan of 2011 Bonds****Bank-Qualified****Dated: January 15, 2011****Due: (As shown below)****MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIP NUMBERS**

Due:	Principal			Cusip	Due:	Principal			Cusip
<u>January 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>890788</u>	<u>January 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>890788</u>
2012 .....	\$435,000	3.00%	0.57%	EE8	2017 .....	\$380,000	2.25%	2.05%	EK4
2013 .....	445,000	3.00	0.93	EF5	2018 .....	385,000	2.50	2.40	EL2
2014 .....	455,000	4.00	1.28	EG3	2019 .....	290,000	3.00	2.70	EM0
2015 .....	455,000	4.00	1.69	EH1	2020 .....	295,000	3.00	3.00	EN8
2016 .....	380,000	2.00	1.80	EJ7	2021 .....	190,000	3.20	3.20	EP3

\$330,000 Term Bonds maturing on January 15, 2026 at 3.75% to yield 3.75% 890788EU2

The provisions of the accompanying documents entitled "NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT, DATED DECEMBER 30, 2010" as supplemented and modified hereby, are incorporated in and made a part of this FINAL OFFICIAL STATEMENT.

Principal of the Bonds will be payable on January 15 of the years in which the Bonds mature. Interest will be payable on July 15, 2011 and semi-annually thereafter on each January 15 and July 15. The Bonds maturing on and before January 15, 2021 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after January 15, 2021 are subject to redemption in accordance with the terms described herein.

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

The Bonds will be approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the Town. It is expected that the Bonds, in definitive form, will be delivered to The Depository Trust Company, or its custodial agent, on or about January 21, 2011 against payment in federal reserve funds.

**FIDELITY CAPITAL MARKETS**

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

**TOWN OF TOPSFIELD, MASSACHUSETTS**

**\$4,145,000\***

**GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

**Book-Entry-Only**

**Bank Qualified**

**NOTICE OF SALE**

The Town of Topsfield, Massachusetts, will receive proposals until 11:00 A.M. (local time) on Tuesday, January 11, 2011, at Eastern Bank, Boston, Massachusetts, for the purchase of the following described Bonds:

**\$4,145,000\* General Obligation Municipal Purpose Loan of 2011 Bonds, payable as follows:**

<u>Due January 15</u>	<u>Principal Amount*</u>	<u>Due January 15</u>	<u>Principal Amount*</u>
2012	\$460,000	2020	\$300,000
2013	465,000	2021	195,000
2014	465,000	2022	70,000 (1)
2015	465,000	2023	65,000 (1)
2016	390,000	2024	65,000 (1)
2017	390,000	2025	65,000 (1)
2018	390,000	2026	65,000 (1)
2019	295,000		

\* Preliminary, subject to change

(1) Callable maturities. May be combined into one or two Term Bonds as provided for herein.

The Bonds will be dated January 15, 2011. Principal of the Bonds will be payable on January 15 of the years in which the Bonds mature. Interest will be payable on July 15, 2011 and semi-annually thereafter on each January 15 and July 15.

***The Bonds maturing on and before January 15, 2021 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after January 15, 2021 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after January 15, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, at the price of par plus accrued interest to the date set for redemption.***

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

The original Bonds to be immobilized at DTC will be prepared and their legality approved by Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Bidder(s) shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/8<sup>th</sup> or 1/20<sup>th</sup> of 1%, but shall not state: (a) more than one interest rate for any Bonds having a like maturity; (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. No bid of less than par and accrued interest to date of delivery will be considered.

For the Bonds maturing on January 15, 2022 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise no more than two Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to

mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Bidders may specify no more than two maturities of Term Bonds.

As between proposals that comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of January 15, 2011, discounts semi-annually all future payments on account of principal and interest on the Bonds to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder.

The Town reserves the right to change the aggregate principal amount of the bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the bonds are being issued after taking into account any premium to be received by the Town, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the Town. In such event, the aggregate principal amount of the Bonds will be increased or decreased by not more than ten percent (10%) of the aggregate principal amount of the Bonds stated in this Notice of Sale. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 5 P.M. on the day of the sale.

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

Other Bids, including bids delivered by telegram, should be sealed, marked "Proposal for Bonds" and addressed to Barbara B. Michalowski, Treasurer, Town of Topsfield, Massachusetts, c/o Eastern Bank, Municipal Finance Department, Second Floor, 265 Franklin Street, Boston, Massachusetts 02110. Proposals delivered as specified will be accepted. Blank bid forms with signature may be faxed to Eastern Bank prior to submitting bids at (617) 235-8110, with actual bids telephoned to (617) 235-8106 or 235-8104, at least one half hour prior to the 11:00 AM (local time) sale and after receipt of the faxed bid form by Eastern Bank which will act as agent for the bidder(s) in submitting the final sealed bids. Neither the Town nor Eastern Bank shall be responsible for bids submitted in this manner. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to Eastern Bank by not later than 11:30 a.m. on the date of sale. A good faith deposit is not required.

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

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

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the Town a certificate acceptable to Bond Counsel generally to the effect that (i) as of January 11, 2011 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the

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

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

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

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

**The Bonds will be designated as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code.**

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or its custodial agent, on or about January 21, 2011, against payment in federal reserve funds.

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated December 30, 2010, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not deemed a part of this Notice of Sale. Copies of the Preliminary Official Statement and a suggested form of the proposal for the Bonds may be obtained from Eastern Bank, Municipal Finance Department, Second Floor, 265 Franklin Street, Boston, Massachusetts 02110, telephone: (617) 235-8106. The Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)1 except for the omission of the reoffering prices, interest rates and any other terms of the Bonds depending on such matters and the identity of the purchasers. Within seven (7) business days following the award of the Bonds in accordance herewith, no more than 100 copies of the Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser's expense.

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

Town of Topsfield, Massachusetts

By: /s/ Barbara B. Michalowski, Treasurer

Dated: December 30, 2010

## **OFFICIAL STATEMENT**

### **TOWN OF TOPSFIELD, MASSACHUSETTS**

#### **\$4,040,000 GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

#### **BANK-QUALIFIED**

#### **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 \$4,040,000 General Obligation Municipal Purpose Loan of 2011 Bonds of the Town (the "Bonds").

The Bonds will be general obligations of the Town for which its full faith and credit are pledged. They are not guaranteed by The Commonwealth of Massachusetts (the "Commonwealth") or any other entity. The principal of and interest on the Bonds 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, with respect to the principal and interest payments on the portion of the Bonds that the Town has voted to exempt from the limit imposed by Chapter 59, Section 21C of the General Laws, and subject to the limit imposed by Chapter 59, Section 21C of the General Laws with respect to the principal and interest payments on the portion of the Bonds that the Town has not voted to exempt from that limit. The security for the Bonds is more fully described under the caption "THE BONDS - *Security and Remedies*" below. See also "*Proposed Form of Legal Opinion*" in Appendix C.

Questions regarding information contained in this Official Statement or other matters should be directed to Lori E. Lombard, Vice President, Eastern Bank, (617) 235-8106. The information contained herein has been obtained from the sources indicated or from the Town.

#### **THE BONDS**

##### **Description of the Bonds**

The Bonds will be dated January 15, 2011, and will bear interest payable on July 15, 2011 and semi-annually thereafter on each January 15 and July 15. Interest will be calculated on the basis of a 30-day month and a 360-day year. Principal on the Bonds will be payable on January 15 of the years and in the amounts shown on the cover of this Official Statement.

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

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

##### **Record Date**

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

## **Book-Entry-Only System**

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 Standard & Poor's highest rating: AAA. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC except in the event that use of the book-entry system for such securities is discontinued.

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

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

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

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

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

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

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

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

## **DTC Practices**

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

## **Redemption Status**

The Bonds maturing on and before January 15, 2021 are not subject to redemption prior to their stated dates of maturity. Bonds maturing after January 15, 2021 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after January 15, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, at the price of par plus accrued interest to the date set for redemption.

Notice of any redemption of Bonds prior to their dates of maturity, specifying the Bonds (or portion thereof) to be redeemed and the place or places of payment shall be mailed to DTC (so long as it is the registered owner of the Bonds) not more than 60 days nor less than 30 days prior to the redemption date. Any failure by DTC to notify the DTC Participants of the redemption, or failure on the part of the DTC Participants or a nominee of a Beneficial Owner to notify the Beneficial Owner of the redemption shall not affect the validity of the redemption.

Term Bonds, if any, shall be subject to mandatory redemption on January 15 in the year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated on the cover page of the Official Statement at the principal amount therefore plus accrued interest to the redemption date, without premium.

The Bonds maturing January 15, 2026 (the "Term Bonds") are subject to mandatory redemption or mature on January 15 in each of the following years, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Date</u>	<u>Principal Amount</u>
January 15, 2022	\$70,000
January 15, 2023	65,000
January 15, 2024	65,000
January 15, 2025	65,000
January 15, 2026 (Maturity)	65,000



## Authorization and Use of Proceeds

The \$4,040,000 Municipal Purpose Loan of 2011 Bonds consists of the following amounts and purposes:

\$2,335,000 was authorized pursuant to Massachusetts General Laws, Chapter 44, Section 21A and a vote of the Town's Board of Selectmen duly adopted on October 25, 2010 to currently refund the Town's \$4,226,000 General Obligation Municipal Purpose Loan of 2001 Bonds dated March 1, 2001, maturing in the years 2012 through 2021, in the aggregate principal amount of \$2,345,000 (the "2001 Refunded Bonds") including payment of the underwriter's discount, redemption premium and other costs of issuance. *The Town voted to exempt debt service on the 2001 Bonds, and thus the portion of the Bonds to be used to refund the 2001 Refunded Bonds, from the limit imposed by Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 ½).*

\$550,000 was authorized pursuant to Chapter 44, Section 8 of the Massachusetts General Laws, as amended, and a vote of the Town passed May 4, 2004 for water main reconstruction along Ipswich Road. These Bond proceeds will be used to retire a like amount of bond anticipation notes currently outstanding.

\$505,000 was authorized pursuant to Chapter 44, Section 8 of the Massachusetts General Laws, as amended, and a vote of the Town passed May 4, 2005 for water main reconstruction along Washington, Gail and Grove Streets. A total amount of \$550,000 was authorized by said vote of which the Town has paid \$30,000 with available funds. These Bond proceeds, together with available funds of \$15,000 will be used to retire \$520,000 bond anticipation notes currently outstanding.

\$400,000 was authorized pursuant to Chapter 44, Section 7(4) of the Massachusetts General Laws, as amended, and a vote of the Town passed May 1, 2007 to replace the Asbury Street Bridge and to repair the Rowley Bridge Road Bridge. *The Town voted to exempt the amounts required to pay principal and interest on bonds and notes issued for this purpose from the tax limitations of Chapter 59, Section 21C of the General Laws (Proposition 2 ½).* These Bond proceeds will be used to retire a like amount of bond anticipation notes currently outstanding.

\$250,000 was authorized pursuant to Chapter 44, Section 7(9) of the Massachusetts General Laws, as amended, and a vote of the Town passed May 5, 2009 for the purchase of a pumper truck for the fire department. These Bond proceeds will be used to retire a like amount of bond anticipation notes currently outstanding.

## Combined Schedule of Maturities

Year	Bridge Repair	Fire Equipment	Water	Refunding Bonds	Total
2012	\$ 40,000	\$ 65,000	\$ 75,000	\$ 255,000	\$ 435,000
2013	40,000	65,000	75,000	265,000	445,000
2014	40,000	60,000	75,000	280,000	455,000
2015	40,000	60,000	75,000	280,000	455,000
2016	40,000		75,000	265,000	380,000
2017	40,000		70,000	270,000	380,000
2018	40,000		70,000	275,000	385,000
2019	40,000		70,000	180,000	290,000
2020	40,000		70,000	185,000	295,000
2021	40,000		70,000	80,000	190,000
2022			70,000		70,000
2023			65,000		65,000
2024			65,000		65,000
2025			65,000		65,000
2026			65,000		65,000
<b>Totals:</b>	<u>\$ 400,000</u>	<u>\$ 250,000</u>	<u>\$ 1,055,000</u>	<u>\$ 2,335,000</u>	<u>\$ 4,040,000</u>

## Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax

purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

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

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

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

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the

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

## **Security and Remedies**

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

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

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "*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. The Town has voted to exempt the 2001 Refunded Bonds (and thus the portion of the Bonds issued to refund them) and \$400,000 of the Bonds, along with \$9,374,000 previously issued Bonds (excluding the 2001 Refunded Bonds) from the tax limitation of Proposition 2 ½.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "INDEBTEDNESS - DEBT LIMITS" 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 "*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 “TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

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

## **Continuing Disclosure**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Issuer by not later than 270 days after the end of each fiscal year

(the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix D. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds. The Town has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

**Bank Eligibility**

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

**Rating**

Moody’s Investors Service has assigned their municipal bond rating of Aa2 on the Bonds. Such rating reflects only the rating agency’s views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

**Plan of Refunding**

Upon delivery of the Bonds, the Town will enter into a Refunding Escrow Agreement with U. S. Bank National Association, a national banking association as Escrow Agent (the “Escrow Agent”) to provide for the refunding of the Refunded Bonds. Upon receipt of the proceeds of the Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be invested in direct obligations of the United States of America (“Government Obligations”) maturing in amounts and bearing interest at rates sufficient without reinvestment, together with any uninvested proceeds on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of the Refunded Bonds and redemption premium, if applicable, on the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged solely for the benefit of the owners of the Refunded Bonds and will not be available to pay the Bonds offered hereby.

**Sources and Uses of Funds**

The proceeds of the sale of the Bonds are expected to be applied as follows:

<u>Sources</u>		<u>Uses</u>	
Par Amount of Bonds	\$ 4,040,000.00	Deposit to Refunding Escrow	\$2,368,450.00
Accrued Interest	2,076.35	New Money Proceeds	1,705,000.00
Original Issue Premium	121,368.90	Underwriter’s Discount	17,863.95
		Cost of Issuance	45,939.00
		Accrued Interest	2,076.35
		Additional Proceeds	24,115.95
<b><i>Total Sources of Funds</i></b>	<b><u>\$4,163,445.25</u></b>	<b><i>Total Uses of Funds</i></b>	<b><u>\$4,163,445.25</u></b>

**Financial Advisor**

The services performed by Eastern Bank, Boston, Massachusetts and its affiliates with respect to the issuance of the Bonds may cause Eastern Bank to be considered to have a Financial Advisory relationship with the Town under Rule G-23 of the Municipal Securities Rulemaking Board. The Town has consented to Eastern Bank’s participation in the public bidding on the Bonds if they so desire in accordance with Rule G-23.

**Opinion of Bond Counsel**

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

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

## THE TOWN

The Town of Topsfield 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 6,344 according to the local 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 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. North Shore Regional Vocational High 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. 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

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

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Chairman, Board of Selectmen	A. Richard Gandt	Elected	3 Years	2012
Selectman	Eldon Goodhue	Elected	3 Years	2013
Selectman, Clerk	Laura Powers	Elected	3 Years	2012
Selectman	Martha A. Morrison	Elected	3 Years	2011
Selectman	Nancy Luther	Elected	3 Years	2011
Town Administrator	Virginia L. Wilder	Appointed	3 Years	2012
Treasurer/Collector	Barbara Michalowski	Appointed	3 Years	2011
Town Accountant	Pamela Wood	Appointed	3 Years	2011
Assessor, Chairman	John W. Minnehan	Elected	3 Years	2011
Assessor	Eldon D. Goodhue	Elected	3 Years	2012
Assessor	Lynn A. Conant	Elected	3 Years	2013
Principal Assessor	Pauline M. Evans	Appointed	1 Year	2011
Superintendent of Elementary Schools	Bernard F. Creeden	Appointed	NA	NA
Superintendent of Masconomet	Dr. Darrell Lockwood	Appointed	NA	NA
Superintendent of Water	Gregory Krom	Appointed	1 Year	2011
Superintendent of Highways	David M. Bond	Appointed	1 Year	2011
Town Clerk	Paula Burke	Elected	3 Year	2013
Town Counsel	Kopelman & Paige LLC	Appointed	1 Year	2011

## 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 225 full and part-time employees of whom approximately 53% 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 Local 2905 IAFF.....	Highway/Water/Park&Cemetery	9	6/30/2011
Topsfield Teachers Association.....	School	54	6/30/2010(1)
Teamsters.....	Police	10	6/30/2010(1)
Teamsters.....	Dispatchers	3	6/30/2010(1)
Police Reserve Association.....	Police	13	6/30/2011
Call Fire Association.....	Call Fire	27	6/30/2011
Topsfield FireFighters Local #3250.....	Fire	4	6/30/2011
<b>Total:</b>		<u>120</u>	

(1) This contract is currently under negotiation.

## Principal Municipal Facilities

The following is a list of the principal municipal facilities within the Town and the 2010 assessed valuations.

<u>Facility</u>	<u>Date Built (Remodeled)</u>	<u>Assessed Valuation</u>
Steward School	1963/1968/1987/1999	\$3,553,600
Proctor School	1932/1952/1955/1974/1987/1999	3,253,100
Library	1935/1998	2,066,300
Water Department	1950	953,300
Water Department	1960	1,175,200
Fire Station/Highway	1939/1969	991,200
Town Hall	1873	783,500
Police Station	1930/1987	974,600
Public Works Facility	2000	1,519,800
Cemetery	1978	418,500

## Other Data

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

## Median Age

	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
<u>Age</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	395	6.4%	48,254	6.7%	397,268	6.3%
5 Years to 19 Years	1,448	23.6	151,038	20.9	1,277,845	20.1
20 Years to 64 Years	3,351	54.6	423,821	58.6	3,813,822	60.1
65 Years and Over	947	15.4	100,306	13.9	860,162	13.5
Total	<u>6,141</u>	<u>100.0%</u>	<u>723,419</u>	<u>100.0%</u>	<u>6,349,097</u>	<u>100.0%</u>
Median Age	41		38		37	
Median Age (1990)	39.2		34.5		33.6	

Source: U.S. Department of Commerce 2000

## Per Capita Income

<u>Year</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
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	0.0	7,673	0.0	7,457	0.0
% Below Poverty Level (1999)	1.7%		8.9%		9.3%	

Source: U.S. Department of Commerce 2000

## Median Family Income

<u>Income for Families</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	7	0.4%	8,075	4.3%	71,198	4.5%
10,000 - 24,999	58	3.4	20,022	10.8	175,120	11.0
25,000 - 49,999	170	9.9	41,277	22.2	368,418	23.2
50,000 - 74,999	304	17.7	40,776	21.9	359,202	22.6
75,000 - 99,999	241	14.0	30,224	16.2	251,231	15.8
100,000 - 149,999	533	31.0	27,479	14.8	222,234	14.0
150,000 or more	<u>405</u>	<u>23.6</u>	<u>18,190</u>	<u>9.8</u>	<u>140,134</u>	<u>8.8</u>
Total	<u>1,718</u>	<u>100.0%</u>	<u>186,043</u>	<u>100.0%</u>	<u>1,587,537</u>	<u>100.0%</u>
Median Income	\$104,475		\$63,746		\$61,664	

Source: U.S. Department of Commerce 2000

## Household Income

<u>Income for Households</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	66	3.1%	24,033	8.7%	214,700	8.8%
10,000 - 24,999	154	7.3	42,354	15.4	385,395	15.8
25,000 - 49,999	263	12.5	66,519	24.2	608,320	24.9
50,000 - 74,999	347	16.5	54,048	19.6	490,998	20.1
75,000 - 99,999	252	12.0	36,066	13.1	312,741	12.8
100,000 - 149,999	573	27.3	32,016	11.6	267,300	10.9
150,000 or more	<u>446</u>	<u>21.2</u>	<u>20,374</u>	<u>7.4</u>	<u>165,134</u>	<u>6.8</u>
Total	<u>2,101</u>	<u>100.0%</u>	<u>275,410</u>	<u>100.0%</u>	<u>2,444,588</u>	<u>100.0%</u>
Median Income	\$96,430		\$51,576		\$50,502	

Source: U.S. Department of Commerce 2000



## Median Value Owner – Occupied Housing Units

Units	Topsfield		Essex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
Less than \$100,000	-0-	0.0%	6,159	4.4%	113,263	9.5%
100,000 - 149,999	27	1.6	22,028	15.7	277,571	23.4
150,000 - 199,999	89	5.3	32,305	23.1	273,542	23.0
200,000 - 299,999	476	28.5	42,625	30.5	286,599	24.1
300,000 - 499,999	952	56.9	28,043	20.0	170,536	14.4
500,000 or more	<u>128</u>	<u>7.7</u>	<u>8,771</u>	<u>6.3</u>	<u>66,360</u>	<u>5.6</u>
Total	<u>1,672</u>	<u>100.0%</u>	<u>139,931</u>	<u>100.0%</u>	<u>1,187,871</u>	<u>100.0%</u>
Median Value	\$333,500		\$220,000		\$185,700	

Source: U.S. Department of Commerce 2000

## Age of Housing Units

Year Built	Topsfield		Essex County		Massachusetts	
	Number	Percent	Number	Percent	Number	Percent
1990 to March 2000	245	11.4%	21,706	7.6%	218,407	8.3%
1980 to 1989	132	6.2	31,301	10.9	292,701	11.2
1940 to 1979	1,346	62.8	124,424	43.3	1,205,183	46.0
1939 or Earlier	<u>421</u>	<u>19.6</u>	<u>109,713</u>	<u>38.2</u>	<u>905,698</u>	<u>34.5</u>
Total	<u>2,144</u>	<u>100.0%</u>	<u>287,144</u>	<u>100.0%</u>	<u>2,621,989</u>	<u>100.0%</u>

Source: U.S. Department of Commerce 2000

## Population

Year	Topsfield		Essex County		Massachusetts	
	Number	% Change	Number	% Change	Number	% Change
2009	6,344	9.7%	742,582	2.6%	6,593,587	3.9%
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	9.3	633,632	-0.7	5,737,037	0.8
1970	5,225		637,887		5,689,170	

Source: U.S. Department of Commerce for actuals and estimates; Town of Topsfield local census for 2009.

## Unemployment

Calendar Year(1)	Labor Force	Employment	Unemployment Rate			
			Town	County	State	US
2010 (October)	2,988	2,823	5.5%	8.0%	7.7%	9.0%
2009	2,981	2,781	6.7	9.0	8.4	9.3
2008	2,982	2,865	3.9	5.6	5.3	5.8
2007	2,991	2,892	3.3	4.7	4.4	4.6
2006	3,014	2,906	3.6	5.1	4.7	4.6

Source: Massachusetts Department of Employment & Training

(1) Full year averages except for 2010 which is for the month indicated.

## Employment and Payrolls

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Construction & Natural Resources	216	247	269	259	244
Manufacturing	139	156	163	175	168
Trade, Transportation & Utilities	363	374	407	496	462
Financial Activities	79	80	93	98	116
Professional & Business Services	267	257	253	278	383
Education & Health Services	721	720	710	707	720
Leisure & Hospitality	128	88	82	85	84
Information & Other Services	150	132	141	107	105
Public Administration	-0-	-0-	-0-	-0-	NA
Total Employment	<u>2,176</u>	<u>2,164</u>	<u>2,248</u>	<u>2,332</u>	<u>2,398</u>
Number of Establishments	282	284	290	290	290
Total Annual Wage (000)	\$107,958	\$107,007	\$109,992	\$112,233	\$105,459
Average Weekly Wage	954	951	941	926	846

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>Approximate # of Employees</u>
Essex Agricultural Society	Topsfield Fair	200
Masconomet Health Care	Nursing Care Facility	174
Fairview Machine Co.	Machine Shop Precisions Parts	55
Lawton Welding	Manufacturing	36
Evans Industries	Manufacturing	28
Atlantic Semiconductor	Manufacturing	25
Essex County Co-op	Retail	23
TD Bank	Banking	10
Keller Williams Realty	Real Estate	3
Tek-Tron, Inc.	Electric Mechanical Panels	6

## Building Permits

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

	<u>For Calendar Year</u>				
	<u>2010(1)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential:					
Number.....	22	4	1	4	1
Value.....	\$ 7,075,370	\$ 1,260,470	\$ 300,000	\$ 2,094,360	\$ 400,000
Non-Residential:					
Number.....	1	1	-0-	2	-0-
Value.....	\$ 248,000	\$ 350,000	\$ -0-	\$ 2,170,000	\$ -0-

(1) As of November 15, 2010.

## 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 and the District.

<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	374
Proctor.....	4-6	1932	1952/55/74/87/99	700	266
Junior/Senior High:					
Masconomet Regional School District.....	7-12	1967	1975/2003	2,400	621(2)
<b>Totals:</b>				<u>3,630</u>	<u>1,261</u>

(1) Enrollments as of October 1, 2011.

(2) Represents Topsfield students only. Total enrollment of the school is 2,121. The District consists of the Towns of Topsfield, Boxford and Middleton.

## Public School Enrollment

	<u>Actual(1)</u>						<u>Projected</u>	
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Elementary.....	713	694	695	664	660	647	640	626
Junior/Senior(2).....	584	620	627	625	646	621	623	624
<b>Totals:</b>	<u>1,297</u>	<u>1,314</u>	<u>1,322</u>	<u>1,289</u>	<u>1,306</u>	<u>1,268</u>	<u>1,263</u>	<u>1,250</u>

(1) Source: Massachusetts Department of Education - As of October 1, each school year.

(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	11	0.3%	28,862	5.9%	247,556	5.8%
9th to 12th Grade, No Diploma	120	2.9	46,105	9.5	403,537	9.4
High School Graduate	776	18.8	136,744	28.1	1,165,489	27.3
Some College, No Degree	673	16.3	86,102	17.7	730,135	17.1
Associate's Degree	406	9.8	37,065	7.6	308,263	7.2
Bachelor's Degree	1,281	31.0	95,184	19.5	834,554	19.5
Graduate or Professional Degree	<u>868</u>	<u>21.0</u>	<u>57,041</u>	<u>11.7</u>	<u>583,741</u>	<u>13.7</u>
Total	<u>4,135</u>	<u>100.0%</u>	<u>487,103</u>	<u>100.0%</u>	<u>4,273,275</u>	<u>100.0%</u>
High School Graduate or Higher	4,004	96.8%	412,136	84.6%	3,622,182	84.8%
Bachelor's Degree or Higher	2,149	52.0	152,225	31.3	1,418,295	33.2

Source: U.S. Department of Commerce 2000

## 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 \$68,694,170 without state approval and up to twice this amount (\$137,388,340 – 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, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

As of December 1, 2010, the Town of Topsfield had total outstanding and authorized unissued general obligation debt of \$11,000,000 of which \$8,120,000 was outside, and \$2,880,000 was subject to its general debt limit. The additional debt which could be authorized within the normal 5.0 percent debt limit was \$65,814,170. The additional debt which could be authorized within the double debt limit was \$134,508,340.

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

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

**Grant Anticipation Notes.** These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. 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.

## Debt Summary

	Outstanding 12/1/2010	Authorized Unissued Bonds 12/1/2010	Outstanding Bonds After This Issue	Authorized Unissued Bonds After This Issue
Long-Term Indebtedness (1)(2)(3)(4)				
Within the General Debt Limit:				
Schools .....	\$ 393,000	\$ -0-	\$ 393,000	\$ -0-
Other Building .....	1,712,000	-0-	1,712,000	-0-
Departmental Equipment .....	125,000	250,000	375,000	-0-
Bridge Repair.....	-0-	400,000	400,000	-0-
Total Within the General Debt Limit .....	<u>\$ 2,230,000</u>	<u>\$ 650,000</u>	<u>\$ 2,880,000</u>	<u>\$ -0-</u>
Outside the General Debt Limit:				
Schools .....	\$ 6,125,000	\$ -0-	\$ 6,125,000	\$ -0-
Landfill.....	825,000	-0-	825,000	-0-
Water (5).....	-0-	1,170,000	1,055,000	115,000(6)
Total Outside the General Debt Limit .....	<u>\$ 6,950,000</u>	<u>\$ 1,170,000</u>	<u>\$ 8,005,000</u>	<u>\$ 115,000</u>
Total Long-Term Indebtedness .....	<u>\$ 9,180,000</u>	<u>\$ 1,820,000</u>	<u>\$ 10,885,000</u>	<u>\$ 115,000</u>
	Outstanding 12/1/2010		Outstanding After This Issue	Maturity
Short-Term Indebtedness:				
Bond Anticipation Notes .....	\$ 1,720,000		\$ -0-	1/21/2011
Total Short-Term Indebtedness .....	<u>\$ 1,720,000</u>		<u>\$ -0-</u>	

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

(2) At the present time the normal General Debt Limit is \$68,694,170 and the Double General Debt Limit is \$137,388,340.

(3) \$9,180,000 has been exempted from the provisions of Proposition 2 1/2.

(4) Includes the Refunded Bonds, but not the Refunding Bonds.

(5) Water debt is self-supporting.

(6) \$15,000 of this amount will be retired with available funds on January 21, 2011 and the balance is not expected to be issued.

## Bonded Debt vs. Population, Valuations and Income

	As of June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Amount (1) .....	\$ 9,180,000	\$ 9,805,000	\$ 10,400,000	\$ 10,965,000	\$ 11,510,000
Per Capita (2) .....	1,494.14	1,595.87	1,702.41	1,807.02	1,899.34
Percent of Assessed Valuation (3) .....	0.77%	0.78%	0.81%	0.86%	0.96%
Percent of Equalized Valuation (4) .....	0.67	0.71	0.80	0.84	1.02
Per Capita as a percent of Personal Income (2) per capita .....	3.96	4.23	4.51	4.78	5.03

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

## Five Years Outstanding Debt

	As of June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Long-Term Indebtedness(1)					
Within the General Debt Limit:					
Schools .....	\$ 393,000	\$ 418,000	\$ 443,000	\$ 468,000	\$ 488,000
Other Building .....	1,712,000	1,862,000	2,002,000	2,132,000	2,262,000
Departmental Equipment .....	125,000	145,000	165,000	185,000	205,000
Total Within the General Debt Limit .....	<u>\$ 2,230,000</u>	<u>\$ 2,425,000</u>	<u>\$ 2,610,000</u>	<u>\$ 2,785,000</u>	<u>\$ 2,955,000</u>
Outside the General Debt Limit:					
Schools .....	\$ 6,125,000	\$ 6,500,000	\$ 6,855,000	\$ 7,195,000	\$ 7,520,000
Other Outside General .....	825,000	880,000	935,000	985,000	1,035,000
Total Outside the General Debt Limit .....	<u>\$ 6,950,000</u>	<u>\$ 7,380,000</u>	<u>\$ 7,790,000</u>	<u>\$ 8,180,000</u>	<u>\$ 8,555,000</u>
Total Long-Term Indebtedness .....	<u>\$ 9,180,000</u>	<u>\$ 9,805,000</u>	<u>\$ 10,400,000</u>	<u>\$ 10,965,000</u>	<u>\$ 11,510,000</u>
Short-Term Indebtedness					
Revenue Anticipation Notes .....	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Grant Anticipation Notes .....	-0-	-0-	-0-	-0-	-0-
Bond Anticipation Notes .....	1,470,000	935,000	550,000	550,000	550,000
Total Short-Term Indebtedness .....	<u>\$ 1,470,000</u>	<u>\$ 935,000</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>
Total Outstanding Indebtedness .....	<u>\$ 10,650,000</u>	<u>\$ 10,740,000</u>	<u>\$ 10,950,000</u>	<u>\$ 11,515,000</u>	<u>\$ 12,060,000</u>

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

## Principal Repayment Schedule

Fiscal Year	Outstanding as of 12/01/10(1)(2)(3)		Total Debt Service	Principal This Issue	Interest This Issue (4)	Less MSBA Grants	Net Debt Service	Cumulative % Principal Retired
	Principal	Interest						
2011	\$ 650,000	\$ 221,187	\$ 871,187	\$ -0-	\$ -0-	\$ (430,057)	\$ 441,130	6.0%
2012	685,000	414,749	1,099,749	180,000	55,413	(419,170)	915,992	13.9
2013	720,000	382,724	1,102,724	180,000	49,563	(419,170)	913,117	22.2
2014	760,000	349,049	1,109,049	175,000	43,713	(419,170)	908,592	30.8
2015	785,000	313,354	1,098,354	175,000	38,025	(419,170)	892,209	39.6
2016	800,000	276,204	1,076,204	115,000	32,338	(419,170)	804,372	48.0
2017	830,000	238,071	1,068,071	110,000	28,600	(419,170)	787,501	56.6
2018	870,000	196,915	1,066,915	110,000	25,025	(419,170)	782,770	65.6
2019	805,000	154,000	959,000	110,000	21,450	(419,170)	671,280	74.0
2020	835,000	113,750	948,750	110,000	17,875	(419,170)	657,455	82.7
2021	750,000	72,000	822,000	110,000	14,300	(419,170)	527,130	90.6
2022	690,000	34,500	724,500	70,000	10,725	(419,074)	386,151	97.6
2023	-0-	-0-	-0-	65,000	8,450	-0-	73,450	98.2
2024	-0-	-0-	-0-	65,000	6,338	-0-	71,338	98.8
2025	-0-	-0-	-0-	65,000	4,225	-0-	69,225	99.4
2026	-0-	-0-	-0-	65,000	2,113	-0-	67,113	100.0
Total	\$ 9,180,000	\$ 2,766,502	\$ 11,946,502	\$ 1,705,000	\$ 358,153	\$ (5,040,831)	\$ 8,968,824	

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

(2) Principal totaling \$9,180,000 and interest totaling \$2,766,502 has been exempted from the provisions of Proposition 2 1/2.

(3) This table includes the Refunded Bonds and excludes the Refunding Bonds.

(4) Interest rate of 3.25% estimated for this issue.

## Capital Improvements 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.

Department	2011	2012	2013	2014	2015
Town Hall.....	\$ 10,000	\$ -0-	\$ -0-	\$ -0-	\$ 20,000
Police.....	38,625	0	35,242	30,924	381,000
Fire.....	305,000	30,000	-0-	70,000	820,000 <sup>(1)</sup>
DPW - Highway.....	100,000	60,000	258,000	-0-	140,000
Park & Cemetery.....	62,000	38,000	-0-	-0-	40,500
Library.....	72,750	64,000	8,000	25,000	-0-
School.....	24,750	64,600	12,000	35,000	46,250
Water.....	25,000	175,000	150,000	1,000,000 <sup>(1)</sup>	-0-
<b>Totals:</b>	<b>\$ 638,125</b>	<b>\$ 431,600</b>	<b>\$ 463,242</b>	<b>\$ 1,160,924</b>	<b>\$ 1,447,750</b>

(1) Source of Funds: \$300,000 available funds and the balance from bonds.

## 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>12/1/2010</u>	Authorized Unissued <u>12/1/2010</u>	Assessment for Operations & Debt Service <u>FY 2011</u>
Masconomet Regional Vocational-Technical School District(2).....	\$	21,155,000	\$ -0-	\$6,013,061
North Shore Regional Vocational-Technical School District(3).....		1,270,000	(3)	88,184

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

(2) Source: Masconomet Regional Vocational-Technical School District. Debt is as of December 1, 2010. The operating expenses and debt service of the regional school district are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment. The other District members are the Towns Middleton and Boxford.

(3) Source: North Shore Regional Vocational-Technical School District. Debt is as of December 1, 2010. Topsfield's apportioned share of operations and debt service for fiscal year 2011 is 1.109%. The vocational school will merge with Essex Agricultural and Technical Institute in Danvers/Middleton and construct a \$125 million facility on the agricultural school site in Danvers, MA. The new school is scheduled to open in 2014 and will also include the vocational component of Peabody High School. The operating expenses and debt service of the regional school district are apportioned among the member municipalities. The shares of the member municipalities vary from year to year according to pupil enrollment. 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.

## 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 TAXATION" below.) In any event, the period from an original borrowing to its final maturity cannot exceed one year. The Town has not issued revenue anticipation notes in the last five fiscal years.



## 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 “*Taxations 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross Amount to be Raised:					
Appropriations .....	\$ 22,114,819	\$ 22,346,791	\$ 20,906,576	\$ 21,343,161	\$ 20,585,676
Other Local Expenditures .....	12,881	149,448	48,093	15,659	35,803
State & County Charges .....	196,937	179,472	168,364	183,228	153,542
Overlay Reserve .....	<u>151,782</u>	<u>136,571</u>	<u>234,007</u>	<u>114,971</u>	<u>130,590</u>
Total Gross Amount to be Raised	22,476,419	22,812,282	221,357,040	21,657,019	20,905,611
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State...	2,131,633	2,219,525	2,507,109	2,575,373	2,432,322
Estimated Receipts - Local .....	2,195,681	2,676,676	2,231,797	2,375,216	2,365,377
Available Funds Appropriated:					
Free Cash .....	203,115	170,069	230,648	340,567	380,778
Revenue Sharing .....	-0-	-0-	-0-	-0-	-0-
Other Available Funds .....	477,929	641,999	609,433	453,150	527,633
Free Cash & Other Revenue Used to Reduce the Tax Rate .....	<u>221,329</u>	<u>468,128</u>	<u>656,590</u>	<u>416,534</u>	<u>408,469</u>
Total Estimated Receipts & Revenue	<u>5,229,687</u>	<u>6,176,397</u>	<u>6,235,577</u>	<u>6,160,840</u>	<u>6,114,579</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 17,246,732</u>	<u>\$ 16,635,885</u>	<u>\$ 16,121,463</u>	<u>\$ 15,496,179</u>	<u>\$ 14,791,032</u>
Property Valuation .....	<u>\$ 1,162,962,400</u>	<u>\$ 1,199,414,915</u>	<u>\$ 1,251,666,371</u>	<u>\$ 1,289,199,574</u>	<u>\$ 1,278,395,170</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.

In the opinion of Bond Counsel, 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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Primary Levy Limit (1) .....	\$ 29,074,060	\$ 29,985,373	\$ 31,291,659	\$ 32,229,989	\$ 31,959,879
Prior Fiscal Year Levy Limit .....	\$ 15,936,241	\$ 15,313,090	\$ 14,723,544	\$ 14,184,855	\$ 13,474,669
2.5% Levy Growth .....	398,406	382,827	368,089	354,621	336,867
New Growth (2) .....	116,429	110,265	221,457	184,068	190,928
Overrides .....	<u>104,307</u>	<u>130,059</u>	<u>-0-</u>	<u>-0-</u>	<u>182,391</u>
Growth Levy Limit .....	16,555,383	15,936,241	15,313,090	14,723,544	14,184,855
Debt Exclusions .....	897,000	880,022	934,621	782,155	940,993
Capital Expenditure Exclusions ...	-0-	-0-	-0-	-0-	-0-
Other Adjustments .....	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Tax Levy Limit .....	<u>\$ 17,452,383</u>	<u>\$ 16,816,263</u>	<u>\$ 16,247,711</u>	<u>\$ 15,505,699</u>	<u>\$ 15,125,848</u>
Tax Levy .....	<u>17,246,732</u>	<u>16,635,885</u>	<u>16,121,463</u>	<u>15,496,179</u>	<u>14,791,032</u>
Unused Levy Capacity (3) .....	<u>\$ 205,651</u>	<u>\$ 180,378</u>	<u>\$ 126,248</u>	<u>\$ 9,520</u>	<u>\$ 334,816</u>
Unused Primary Levy Capacity (4)	\$ 12,518,677	\$ 14,049,132	\$ 15,978,569	\$ 17,506,445	\$ 17,775,024

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. Until fiscal year 2004, the share required to be borne by residential real property was at least 50 per cent of its share of the total taxable valuation; under legislation enacted in the beginning of 2004, however,

cities and towns were authorized to reduce the required share to be borne by residential real property to at least 45 per cent of its share of the total taxable valuation in fiscal year 2004, 47 per cent in fiscal year 2005, 49 per cent in fiscal year 2006 and 50 per cent thereafter. The effective rate for open space must be at least 75 per cent of the effective rate for residential real property. Until fiscal year 2004, the share of commercial, industrial and personal property was limited to not more than 175 per cent of their share of the total valuation; under legislation enacted in the beginning of 2004, however, cities and towns were authorized to increase the limit on the share of the total taxable valuation of such property to not more than 200 per cent in fiscal year 2004, 197 per cent in fiscal year 2005, 190 per cent in fiscal year 2006, 183 percent in fiscal year 2007, 175 per cent in fiscal year 2008, and, if the share of such property in a particular city or town exceeded 175 per cent in any of fiscal years 2004 through 2007, 170 per cent in fiscal years 2009 and thereafter. 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 approved 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 2011	% of Total	Fiscal 2010	% of Total	Fiscal 2009	% of Total
	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation	Assessed Valuation
Residential .....	\$ 1,062,463,312	91.4%	\$ 1,099,109,837	91.6%	\$ 1,151,200,670	92.0%
Open Space .....	-0-	0.0	-0-	0.0	-0-	0.0
Commercial .....	61,241,558	5.3	61,687,913	5.1	61,618,160	4.9
Industrial .....	18,792,500	1.6	18,888,500	1.6	18,652,900	1.5
Personal .....	20,465,030	1.8	19,728,665	1.6	20,194,641	1.6
Total	<u>\$ 1,162,962,400</u>	<u>100.0%</u>	<u>\$ 1,199,414,915</u>	<u>100.0%</u>	<u>\$ 1,251,666,371</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value".

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real Property(1) .....	\$ 1,142,497,370	\$ 1,179,686,250	\$ 1,231,471,730	\$ 1,276,135,700	\$ 1,267,137,720
Personal Property(1) .....	20,465,030	19,728,665	20,194,641	13,063,874	11,257,450
Total .....	<u>\$ 1,162,962,400</u>	<u>\$ 1,199,414,915</u>	<u>\$ 1,251,666,371</u>	<u>\$ 1,289,199,574</u>	<u>\$ 1,278,395,170</u>
Equalized Value(2) .....	\$ 1,373,883,400	\$ 1,373,883,400	\$ 1,373,883,400	\$ 1,300,988,600	\$ 1,300,988,600
Percent of Total Assessed to Equalized Valuation .....	84.6%	87.3%	91.1%	99.1%	98.3%

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential, Open Space and Personal	\$14.83	\$13.87	\$12.88	\$12.02	\$11.57
Commercial and Industrial.....	14.83	13.87	12.88	12.02	11.57
Average Tax Rate .....	<u>\$14.83</u>	<u>\$13.87</u>	<u>\$12.88</u>	<u>\$12.02</u>	<u>\$11.57</u>
Full Value Tax Rate(1) .....	\$12.55	\$12.11	\$11.73	\$11.91	\$11.37

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 August 1, and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum from the due date. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has been transferred an unenforced lien expires on the fourth December 31, after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property 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. The total amount collected for fiscal year 2011 as of November 30, 2010 was \$8,154,305, or 49% of the levy.

	<u>For Fiscal Year</u>				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Tax Levy .....	\$ 16,635,885	\$ 16,121,463	\$ 15,496,179	\$ 14,791,032	\$ 13,963,080
Overlay Reserve for Abatements	<u>136,571</u>	<u>234,007</u>	<u>114,971</u>	<u>130,590</u>	<u>128,794</u>
Net Tax Levy(1) .....	<u>\$ 16,499,314</u>	<u>\$ 15,887,456</u>	<u>\$ 15,381,208</u>	<u>\$ 14,660,442</u>	<u>\$ 13,834,286</u>
Amount Collected					
During Fiscal Year Payable(2) .....	\$ 16,305,363	\$ 15,707,513	\$ 15,254,007	\$ 14,473,969	\$ 13,657,538
Percent of Net Tax Levy .....	98.8%	98.9%	99.2%	98.7%	98.7%
Amount Collected Through 11/30/10....	\$ 16,376,689	\$ 15,932,145	\$ 15,417,960	\$ 14,530,280	\$ 13,868,667
Percent of Net Tax Levy .....	99.3%	100.3%	100.2%	99.1%	100.2%

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

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

## Taking and Sale

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for 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				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Aggregate .....	\$ 204,894	\$ 190,023	\$ 136,624	\$ 201,667	\$ 279,636
For Current Year .....	193,951	179,943	127,201	186,473	176,748
Tax Titles .....	76,590	75,939	75,921	54,832	51,184
Tax Possessions .....	13,389	13,389	13,389	13,389	13,389
Tax Anticipation Notes Outstanding	-0-	-0-	-0-	-0-	-0-

## Abatements and Overlay

The Town is authorized by law to increase each tax levy by an amount approved as reasonable by the State Commissioner of Revenue for an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the resultant “overlay deficit” is required to be added to the next tax levy. Abatements are granted where 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 and the amount of abatements granted as of November 15, 2010.

	For Fiscal Year				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax Levy(1) .....	\$ 16,635,885	\$ 16,121,436	\$ 15,496,179	\$ 14,791,032	\$ 13,963,080
Overlay Reserve for Abatements(1)	136,571	234,007	114,971	130,590	128,794
Percent of Tax Levy .....	0.8%	1.5%	0.7%	0.9%	0.9%
Abatements Granted:					
During Fiscal Year of Levy .....	\$ 89,659	\$ 71,739	\$ 92,696	\$ 75,687	\$ 71,995
Through 11/15/10.....	91,742	74,973	91,742	75,687	72,157

(1) Source: Massachusetts Department of Revenue.

## Largest Taxpayers

The following is a list of the ten largest taxpayers for fiscal year 2010.

<u>Name</u>	<u>Nature of Business</u>	2010 Assessed <u>Valuation</u>	% of Total Assessed <u>Valuation</u>
Great Hill Cooperative	Cooperatives	\$ 29,456,400	2.14 %
Verizon New England	Utility	9,720,500	0.71
Kahn, Elizabeth	Residential Properties	5,980,700	0.44
Essex Agricultural Society	Fairgrounds	5,590,680	0.41
Ferncroft Holdings LLC	Golf Course	5,394,900	0.39
Tops Associates Limited Partnership	Nursing Home	4,389,200	0.32
Jeffrey, Robert & Kathleen	Residential	4,340,300	0.32
Coughlin, John, Trustee	Industrial Condos	4,279,600	0.31
Massachusetts Electric Co.	Utility	4,061,947	0.30
Coughlin, John, T & Priscilla Trs	Commercial Condos	2,831,400	0.21
<b>Total:</b>		<u>\$ 76,045,627</u>	<u>5.54 %</u>

## Community Preservation Act

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

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “*PropertyTax Limitations*” under “PROPERTY TAXATION” above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The Town has not accepted 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. Water and Sewer operations are included in the budgets adopted by the town meeting.

	Appropriated <u>Fiscal Year</u> <u>2011</u>	Appropriated <u>Fiscal Year</u> <u>2010</u>	Appropriated <u>Fiscal Year</u> <u>2009</u>	Appropriated <u>Fiscal Year</u> <u>2008</u>
General Government.....	\$ 993,857	\$ 999,386	\$ 1,041,980	\$ 1,020,249
Public Safety.....	2,077,627	2,056,994	2,100,331	2,045,930
Education.....	5,781,593	5,784,941	6,107,838	5,929,940
Public Works & Facilities.....	752,713	756,485	800,241	723,469
Human Services.....	550,046	534,542	568,124	555,958
Culture & Recreation.....	705,871	699,158	710,980	692,651
Debt Service.....	1,141,042	1,117,578	1,112,580	1,075,440
Pension/Insurance Retirement.....	2,654,823	2,453,559	2,270,133	2,230,413
Water Enterprise Fund.....	700,642	691,916	751,367	725,022
Solid Waste Enterprise Fund.....	36,760	37,000	10,000	42,500
Stabilization Fund.....	1,000	-	44,540	50,000
<b>Totals:</b>	<u><u>\$ 15,395,974</u></u>	<u><u>\$ 15,131,559</u></u>	<u><u>\$ 15,518,114</u></u>	<u><u>\$ 15,091,572</u></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. Unrestricted net assets of the water operation at June 30, 2010 was \$1,431,983.

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 \$15 per quarter plus water usage fees based on the following structure:

Tier I	1,000 to 12,000	\$5.40 per thousand gallons
Tier II	12,001 to 24,000	\$6.50 per thousand gallons
Tier III	24,001 or greater	\$9.20 per thousand gallons

## 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 may be obtained by writing to the Essex Regional Retirement System County Office Building, 36 Federal Street, Room 210, Salem, Massachusetts 01970-3483.

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.

		<b>For Fiscal Year</b>				
		<u>2011(1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contributory.....	\$	667,094	\$ 643,879	\$ 576,103	\$ 618,800	\$ 518,521

(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.

As of January 1, 2008, Topsfield's total estimated past service liability in the contributory retirement system was \$15,732,363, and its assets were \$10,652,217, leaving an estimated unfunded past service liability of \$5,080,146.

### **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") recently promulgated its Statement Nos. 43 and 45, which will for the first time require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These new accounting standards do not require pre-funding 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.

Using the services of an actuary, the Town finalized its current obligation/liability for other post-employment benefits for active and retired employees following the GASB Statements 43 and 45 (including health care and life insurance) as of January 1, 2009 in the amount of \$15,246,807. Within this study, an annual required contribution (ARC) of \$1,930,137 was developed based on assumptions determined by the Town. 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. As of June 30, 2009, the Town's ARC less contributions made reduced the annual net OPEB obligation to \$1,536,796 at the end of the year and as of June 30, 2009, the net OPEB obligation was \$3,138,397. 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 is reviewing funding options and these discussions will be ongoing as requirements and liabilities change.

## 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.

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 is in the third year of a five year agreement with JRM Hauling & Recycling of Lynnfield, MA for the collection and disposal of solid waste and recyclables collection at the current annual price of \$364,819.
- *School Bus Transportation* – The Town has a five year contract (September 1, 2010 – June 30, 2015) with North Reading Transportation of Methuen, MA, at an annual cost of \$166,950.

## 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				
		<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Motor Vehicle Excise Taxes(1).....	\$	839,439	\$ 860,072	\$ 976,911	\$ 851,685	\$ 1,038,285

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

## 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.

Legislation was enacted in 1991 to help municipalities compensate for additional local aid reductions by the Commonwealth for fiscal year 1992. Under that law, municipalities were allowed to defer budgeting for teacher's summer compensation payable by the end of the fiscal years 1992 and 1993. Municipalities that chose to defer such amounts are required to amortize the resulting budget deficiency by raising at least one fifteenth of the deferred amount in each of the fiscal years 1997 through 2011, or in accordance with a more rapid amortization schedule.

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

	For Fiscal Year				
	<u>2011</u> (1)	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
School operating aid.....	\$ 1,020,461	\$ 1,083,775	\$ 1,105,893	\$ 1,069,469	\$ 946,951
Other school aid.....	2,857	3,578	3,195	3,648	3,749
General government aid.....	678,258	702,116	967,965	959,634	939,000
Total Estimated aid.....	<u>1,701,576</u>	<u>1,789,469</u>	<u>2,077,053</u>	<u>2,032,751</u>	<u>1,889,700</u>
Less Estimated charges.....	196,937	179,472	168,364	183,228	153,542
FY 2009 9C cuts.....	-	-	74,390	-	-
Net State aid.....	<u>\$ 1,504,639</u>	<u>\$ 1,609,997</u>	<u>\$ 1,834,299</u>	<u>\$ 1,849,523</u>	<u>\$ 1,736,158</u>

(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.

**Federal Aid**

The Town does not receive federal aid annually but has received federal grants in the following amounts in the last four fiscal years and the amount anticipated for fiscal year 2011:

	<b>For Fiscal Year</b>				
	<u>2011(1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Federal Aid.....	\$ 376,569	\$ 231,533	\$ 274,305	\$ 186,133	\$ 246,315

(1) Estimated.

**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 “*Tax Limitations*” 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.

## 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				
	<u>2010(1)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Free Cash.....	\$ 1,290,359	\$ 1,023,444	\$ 1,188,197	\$ 1,379,523	\$ 1,324,987

(1) Estimated.

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

## Undesignated 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 Undesignated General Fund Balance and the Stabilization Fund Balance for the following fiscal years.

	For Fiscal Year Ending June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Undesignated General Fund Balance....	\$1,567,101	\$1,362,185	\$1,364,873	\$1,568,835	\$1,602,849
Stabilization Fund Balance .....	755,346	951,621	922,551	833,898	807,744

## 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, 2006 through 2010 prepared by Giusti, Hingston and Company, Certified Public Accountants and are included as Appendix A. The Town’s financial statements for the fiscal year ended June 30, 2010 were audited by Giusti, Hingston and Company, Certified Public Accountants and are included as Appendix B.

## 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 B. Michalowski  
Treasurer

Dated: December 30, 2010

# APPENDIX A

## Comparative Balance Sheets General Accounts

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:					
Cash/Investments	\$ 2,948,313	\$ 2,785,333	\$ 3,409,229	\$ 3,145,394	\$ 3,304,071
Petty Cash	971	836	399	616	1,014
Receivables:					
Property Taxes	204,894	190,023	136,624	201,667	279,636
Tax Liens	76,590	76,620	75,921	54,832	51,184
Excises	71,861	76,610	90,527	90,356	94,915
Intergovernmental	5,051,109	5,470,987	5,901,043	8,019,594	8,562,216
Tax Foreclosures	13,389	13,389	13,389	13,389	13,389
Total Assets	<u>\$ 8,367,127</u>	<u>\$ 8,613,798</u>	<u>\$ 9,627,132</u>	<u>\$ 11,525,848</u>	<u>\$ 12,306,425</u>
Liabilities:					
Warrants Payable	\$ 55,811	\$ 164,067	\$ 319,646	\$ 239,222	\$ 399,865
Accrued Payroll Payable	206,525	209,344	-	-	-
Employee's Withholding Payable	129,950	131,366	125,337	106,585	80,452
Unclaimed Checks	4,382	4,302	4,149	4,149	4,209
Guaranteed Deposits	66,004	71,267	241,759	5,938	5,913
Other Liabilities	-	-	-	12	-
Landfill Closure Costs	145	-	-	-	-
Deferred Revenue:					
Property Taxes	146,363	101,693	96,288	165,919	198,101
Property Taxes Paid in Advance	229,851	36,562	47,223	9,471	143,190
Deferred Property Taxes	-	-	-	-	-
Tax Liens	76,590	76,620	75,921	54,832	51,184
Excises	71,860	76,610	90,527	90,356	94,915
Tax Foreclosures	13,389	13,389	13,389	13,389	13,389
Intergovernmental	5,040,931	5,470,987	5,901,043	8,019,594	8,562,216
Total Liabilities	<u>6,041,801</u>	<u>6,356,207</u>	<u>6,915,282</u>	<u>8,709,467</u>	<u>9,553,434</u>
Fund Balances:					
Reserved For Encumbrances	244,632	318,052	433,564	410,029	354,029
Reserved for Petty Cash	971	836	399	616	1,014
Reserved for Subsequent Year's Expenditures	512,621	712,539	945,571	836,901	795,099
Designated for Appropriation Deficit	-	(136,021)	(32,557)	-	-
Unreserved:					
Undesignated	1,567,101	1,362,185	1,364,873	1,568,835	1,602,849
Total Fund Equity	<u>2,325,325</u>	<u>2,257,591</u>	<u>2,711,850</u>	<u>2,816,381</u>	<u>2,752,991</u>
Total Liabilities and Fund Equity	<u>\$ 8,367,126</u>	<u>\$ 8,613,798</u>	<u>\$ 9,627,132</u>	<u>\$ 11,525,848</u>	<u>\$ 12,306,425</u>

## Comparative Statement of Revenues and Expenditures General Accounts

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:					
Property Taxes	\$ 16,456,661	\$ 15,980,140	\$15,426,744	\$14,685,635	\$13,859,719
Tax Liens	63,845	70,753	38,529	23,818	48,472
Excises	840,615	860,072	976,911	851,685	1,038,285
Penalties and Interest	39,090	29,699	36,056	27,584	28,575
Licenses and Permits	380,756	295,381	316,161	315,053	339,893
Intergovernmental	3,099,445	3,008,130	3,204,803	2,981,328	2,572,116
Charges for Services	92,112	66,606	79,399	63,760	69,224
Fines and Forfeits	64,957	53,823	54,720	57,625	79,825
Earnings on Investments	22,444	56,315	146,344	172,864	95,187
In Lieu of Taxes	65,104	60,457	56,799	48,233	47,605
Miscellaneous	96,051	34,986	24,037	58,211	-
Contributions	-	-	-	-	34,241
Total Revenues	<u>21,221,080</u>	<u>20,516,362</u>	<u>20,360,503</u>	<u>19,285,796</u>	<u>18,213,142</u>
Expenditures:					
General Government	1,000,300	1,059,118	999,381	1,015,020	950,959
Public Safety	2,337,162	2,158,520	2,019,136	1,989,143	1,786,154
Education	12,551,403	12,399,372	12,046,845	11,253,184	10,660,933
Highways and Public Works	778,745	986,862	866,608	803,350	670,584
Human Services	549,759	542,385	568,504	493,566	487,505
Culture and Recreation	776,217	722,667	725,016	745,309	628,542
Intergovernmental	185,847	166,764	181,796	155,422	145,080
Employee Benefits	2,348,036	2,181,983	2,127,679	1,936,612	1,819,781
Debt Service					
Principal	618,000	588,500	559,000	539,000	509,500
Interest	<u>478,369</u>	<u>498,218</u>	<u>515,439</u>	<u>536,124</u>	<u>555,667</u>
Total Expenditures	<u>21,623,838</u>	<u>21,304,389</u>	<u>20,609,404</u>	<u>19,466,730</u>	<u>18,214,705</u>
Excess of Revenues Over (Under)					
Expenditures	(402,758)	(788,027)	(248,901)	(180,934)	(1,563)
Other Financing Sources (Uses):					
Operating Transfers In	470,492	343,768	194,370	244,324	155,190
Operating Transfers (Out)	-	(10,000)	(50,000)	-	-
Total Other Financing Sources	<u>470,492</u>	<u>333,768</u>	<u>144,370</u>	<u>244,324</u>	<u>155,190</u>
Excess of Revenues And Other					
Sources Over (Under)Expenditures					
and Other Uses	67,734	(454,259)	(104,531)	63,390	153,627
Fund Balance (Deficit), Beginning of Year	<u>2,257,591</u>	<u>2,711,850</u>	<u>2,816,381</u>	<u>2,752,991</u>	<u>2,599,364</u>
Fund Balance (Deficit), End of Year	<u>\$ 2,325,325</u>	<u>\$ 2,257,591</u>	<u>\$ 2,711,850</u>	<u>\$ 2,816,381</u>	<u>\$ 2,752,991</u>



**(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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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS - TOWN OF  
TOPSFIELD

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 7, 2010 on our consideration of the Town of Topsfield, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information, the retirement system schedules and other post employment benefits schedules listed in the index are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

*Giusti, Hingston and Company*  
Giusti, Hingston and Company  
Certified Public Accountants  
December 7, 2010

**Town of Topsfield, Massachusetts  
Management's Discussion and Analysis  
Required Supplementary Information  
June 30, 2010**

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

**Financial Highlights**

- The assets of the Town of Topsfield, Massachusetts' governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$26,748,199 (*net assets*).
- The assets of the Town of Topsfield, Massachusetts' business type activities exceeded its liabilities at the close of the most recent fiscal year by \$6,980,509 (*net assets*). Of this amount \$1,431,983 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors related to the business type activities.
- The government's total net assets increased by \$1,507,797. The increase was the result of the capital contribution (\$2,465,602) from the state and federal governments related to Ipswich Road Project. The increase in the other post employment liability somewhat offset the capital contribution.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$1,567,101, or 7 percent of total general fund expenditures.
- The total debt of the Town of Topsfield, Massachusetts decreased by 6 percent during the current year. The decrease was the result of the retirement of \$625,000 of general obligation bonds of which \$618,000 related to Governmental Activities and \$7,000 related to Business Type Activities.

**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 consists 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 assets* presents information on all of the Town of Topsfield, Massachusetts' assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Topsfield, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise 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, state and other local revenues finance these activities.
- **Business-type Activities** - Activities reported here are for water supply and distribution. 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 two categories: governmental funds and proprietary 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 an enterprise fund to account for its Water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water operations and it is considered to be a major fund of the Town of Topsfield, Massachusetts.

### **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 assets. 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 assets.

- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The 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 Assets

Net assets may serve over time as a useful indicator of a government's financial position. However, the net assets of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not used to finance costs related to business-type activities. Revenues of the business-type activities are generally used to finance the operations of the water enterprise fund. The following table reflects the condensed net assets (prior period adjustments are reflected in the 2009 amounts).

Net Assets June 30, 2010						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Noncurrent Assets	\$ 18,243,602	\$ 18,183,190	\$ 1,665,732	\$ 1,570,206	\$ 19,909,334	\$ 19,753,396
Capital Assets	23,037,262	21,240,531	6,562,217	5,601,880	29,599,479	26,842,411
Total Assets	<u>41,280,864</u>	<u>39,423,721</u>	<u>8,227,949</u>	<u>7,172,086</u>	<u>49,508,813</u>	<u>46,595,807</u>
Current Liabilities	1,698,378	1,808,904	1,109,768	562,858	2,808,146	2,371,762
Long Term Liabilities	12,834,287	11,907,005	137,672	107,754	12,971,959	12,014,759
Total Liabilities	<u>14,532,665</u>	<u>13,715,909</u>	<u>1,247,440</u>	<u>670,612</u>	<u>15,780,105</u>	<u>14,386,521</u>
Net Assets:						
Invested in Capital Assets						
net of Related Debt	18,563,339	16,637,758	5,548,526	5,265,831	24,111,865	21,903,589
Restricted	8,709,744	8,828,663	-	-	8,709,744	8,828,663
Unrestricted	(524,884)	(42,433)	1,431,983	1,531,092	907,099	1,488,659
Total Net Assets	<u>\$ 26,748,199</u>	<u>\$ 25,423,988</u>	<u>\$ 6,980,509</u>	<u>\$ 6,796,923</u>	<u>\$ 33,728,708</u>	<u>\$ 32,220,911</u>

The net assets of the Town increased by \$1,507,797. The net assets of the governmental activities increase by \$1,324,211 or 5% and the net assets of the business-type activities increased by \$183,586 or 3%.

### Changes in Net Assets

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,247,014	\$ 1,172,381	\$ 776,224	\$ 693,808	\$ 2,023,238	\$ 1,866,189
Operating Grants and Contributions	3,279,582	1,615,237	8,302	-	3,287,884	1,615,237
Capital Grants and Contributions	2,465,602	691,600	183,185	508,500	2,648,787	1,200,100

## Changes in Net Assets (Continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Revenues:						
Property Taxes	16,758,464	16,045,637	-	-	16,758,464	16,045,637
Motor Vehicle and Other Excises	835,866	846,155	-	-	835,866	846,155
Intergovernmental Not Restricted to a Specific Program	673,087	836,271	-	-	673,087	836,271
Other	174,843	236,349	(13,730)	-	161,113	236,349
<b>Total Revenues</b>	<b>25,434,458</b>	<b>21,443,630</b>	<b>953,981</b>	<b>1,202,308</b>	<b>26,388,439</b>	<b>22,645,938</b>
Expenses						
General Government	1,008,005	1,068,126	-	-	1,008,005	1,068,126
Public Safety	2,262,725	2,245,052	-	-	2,262,725	2,245,052
Education	13,461,958	13,286,285	-	-	13,461,958	13,286,285
Highways and Public Works	1,305,838	1,066,627	-	-	1,305,838	1,066,627
Human Services	601,081	565,502	-	-	601,081	565,502
Culture and Recreation	1,003,519	1,006,733	-	-	1,003,519	1,006,733
Intergovernmental	185,847	166,764	-	-	185,847	166,764
Employee Benefits	3,912,719	3,700,525	-	-	3,912,719	3,700,525
Interest on Long Term Debt	469,615	490,797	-	-	469,615	490,797
Water	-	-	669,335	1,011,651	669,335	1,011,651
<b>Total Expenses</b>	<b>24,211,307</b>	<b>23,596,411</b>	<b>669,335</b>	<b>1,011,651</b>	<b>24,880,642</b>	<b>24,608,062</b>
Increase (Decrease) in Net Assets Before Contributions and Transfers	1,223,151	(2,152,781)	284,646	190,657	1,507,797	(1,962,124)
Transfers	101,060	118,888	(101,060)	(118,888)	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,324,211</b>	<b>\$ (2,033,893)</b>	<b>\$ 183,586</b>	<b>\$ 71,769</b>	<b>\$ 1,507,797</b>	<b>\$ (1,962,124)</b>

### Governmental Activities

In fiscal year 2010, property taxes accounted for approximately 66% of the revenues. In fiscal year 2009 and 2008, they accounted for approximately 75% and 72% of the revenues, respectively.

Other post employment benefits were reported in a separate function in 2009. They were combined with the employer benefits function in 2010.

### Business-type Activities

Water rates are structured to cover all costs related to the activity. The revenues exceeded expenses and transfer out in fiscal year 2010 by \$183,586. In fiscal year 2009, revenues exceeded expenses and transfers out by \$71,769. In fiscal year 2008, the net assets of the water fund decreased by \$105,796.

## Financial Analysis of the Town's Funds

### Governmental Funds

**General Fund** – Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts, Department of Revenue (DOR) determines the amount of general fund balance available for appropriation. In general, this amount (commonly known as “free cash”) is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations.



The following table reflects the trend in all the components of fund balance and details the certified free cash for the previous ten fiscal years.

**Changes in Fund Balance  
Last Ten Fiscal Years  
General Fund**

<b>Fiscal</b>	<b>Reserved</b>	<b>Reserved</b>	<b>Reserved</b>	<b>Designated for</b>	<b>Designated for</b>		<b>Total</b>
<b>Year</b>	<b>for</b>	<b>for</b>	<b>for</b>	<b>Subsequent</b>	<b>Appropriation</b>		<b>Fund</b>
<u>Year</u>	<u>Encumbrances</u>	<u>Petty Cash</u>	<u>Expenditure</u>	<u>Year's</u>	<u>Deficit</u>	<u>Unreserved</u>	<u>Balance</u>
2001	\$ 218,183	\$ 357	\$ 140,141	\$ 839,318	\$ -	\$ 1,751,497	\$ 2,949,496
2002	469,336	385	-	1,262,104	-	1,361,565	3,093,390
2003	585,769	780	-	859,000	-	1,328,755	2,774,304
2004	447,214	613	-	578,568	(82,068)	1,250,863	2,195,190
2005	320,858	711	-	542,394	-	1,186,859	2,050,822
2006	292,735	449	-	882,545	(159,832)	1,583,467	2,599,364
2007	354,029	1,014	-	795,099	-	1,602,849	2,752,991
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

<b>Fiscal</b>	
<u>Year</u>	<u>Free Cash</u>
2001	\$ 1,591,201
2002	1,288,083
2003	1,155,568
2004	1,078,288
2005	976,121
2006	1,289,247
2007	1,324,987
2008	1,379,523
2009	1,188,197

### Proprietary Funds

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

Unrestricted net assets of the Water operation at the end of the year amounted to \$1,431,983.

### General Fund Budgetary Highlights

The differences between the original budget and the final amended budget were the results of special Town meeting votes and reserve fund transfers authorized by the Finance Committee. Conservative budget estimates resulted in favorable variances in the budget versus actual statement.

### 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, 2010, amounts to \$29,599,479 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

Major capital asset events of the period included the following:

➤ Fire Truck	\$ 236,599
➤ Library HVAC	\$ 123,381
➤ Ipswich Road – Contributed Capital	\$2,415,602
➤ Various Water Mains	\$ 841,926

**Capital Assets at June 30, 2010**  
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 5,196,767	\$ 5,196,767	\$ 1,277,228	\$ 323,038	\$ 6,473,995	\$ 5,519,805
Work in Process	3,423,061	689,653		295,449	3,423,061	985,102
Buildings	11,644,745	11,943,154	114,253	117,866	11,758,998	12,061,020
Improvements Other Than Buildings	139,264	149,967	18,180	20,220	157,444	170,187
Infrastructure	1,780,900	2,028,597	5,092,673	5,087,355	6,873,573	7,115,952
Equipment	461,948	525,701	35,517	42,917	497,465	568,618
Vehicles	390,577	411,243	24,366	10,484	414,943	421,727
Total	<u>\$ 23,037,262</u>	<u>\$ 20,945,082</u>	<u>\$ 6,562,217</u>	<u>\$ 5,897,329</u>	<u>\$ 29,599,479</u>	<u>\$ 26,842,411</u>

**Debt**

The Town had \$9,180,000 in bonds, outstanding on June 30, 2010. This represents a \$625,000 decrease or 6% reduction from the previous year.

<u>Governmental Activities</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds Payable	\$ 9,090,500	\$ 9,708,500
 <u>Business-type Activities</u>		
Water:		
General Obligation Bonds Payable	<u>89,500</u>	<u>96,500</u>
Total Debt	<u>\$ 9,180,000</u>	<u>\$ 9,805,000</u>

The Town maintains an “Aa2” rating from Moody’s for general obligation debt. According to Moody’s “the Aa2” rating reflects the town’s solid financial performance, wealthy residential tax base and modest debt position”.

**Fiscal Year 2011 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’s original budget increased by \$254,802 or 1.2%. The 2011 original budget utilized approximately \$384,000 less reserves than the prior year’s original budget used.

Town of Topsfield, Massachusetts  
Statement of Net Assets  
June 30, 2010  
(Continued on Page 9)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
<b>Assets:</b>			
Current:			
Cash/Investments	\$ 12,575,632	\$ 1,587,096	\$ 14,162,728
Petty Cash	971	-	971
Accounts Receivable:			
Property Taxes	204,894	-	204,894
Liens	76,590	-	76,590
Excises	71,861	-	71,861
User Charges	-	71,520	71,520
Special Assessments	-	283	283
Intergovernmental	702,780	-	702,780
Noncurrent:			
Intergovernmental Accounts Receivable	4,610,874	-	4,610,874
Deferred Special Assessments	-	6,833	6,833
Capital Assets:			
Assets Not Being Depreciated	8,619,828	1,277,228	9,897,056
Assets Being Depreciated, Net	14,417,434	5,284,989	19,702,423
Total Assets	<u>41,280,864</u>	<u>8,227,949</u>	<u>49,508,813</u>
<b>Liabilities</b>			
Current:			
Warrants Payable	83,532	23,941	107,473
Accrued Payroll Payable	219,414	7,383	226,797
Employees' Withholding Payable	129,950	-	129,950
Bond Anticipation Notes Payable	400,000	1,070,000	1,470,000
Unclaimed Checks	4,382	-	4,382
Guarantee Deposits	66,004	-	66,004
Accrued Interest	131,487	1,444	132,931
Bonds Payable	643,000	7,000	650,000
Other	(3,745)	-	(3,745)
Lease Payable	24,354	-	24,354
Noncurrent:			
Bonds Payable	8,447,500	82,500	8,530,000
Compensated Absences	238,887	-	238,887
Accrued Contractual Payroll Obligations	55,327	-	55,327
Other Post Employment Benefit Obligations	3,083,225	55,172	3,138,397
Landfill Closure Costs Payable	1,009,348	-	1,009,348
Total Liabilities	<u>14,532,665</u>	<u>1,247,440</u>	<u>15,780,105</u>

Town of Topsfield, Massachusetts  
Statement of Net Assets  
June 30, 2010  
(Continued from Page 8)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	18,563,339	5,548,526	24,111,865
Restricted for:			
Special Revenue	1,346,336	-	1,346,336
Perpetual Funds:			
Expendable	1,271,030	-	1,271,030
Nonexpendable	6,092,378	-	6,092,378
Unrestricted	(524,884)	1,431,983	907,099
Total Net Assets	<u>\$ 26,748,199</u>	<u>\$ 6,980,509</u>	<u>\$ 33,728,708</u>

Town of Topsfield, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges	Operating	Capital	Governmental	Business -	Total
		for Services	Grants and Contributions	Grants and Contributions		Type Activities	
<b>Primary Government:</b>							
<i>Governmental Activities:</i>							
General Government	\$ 1,008,005	\$ 136,189	\$ 15,275	\$ -	\$ (856,541)	\$ -	\$ (856,541)
Public Safety	2,262,725	397,853	58,749	-	(1,806,123)	-	(1,806,123)
Education	13,461,958	509,256	2,256,851	-	(10,695,851)	-	(10,695,851)
Highways and Public Works	1,305,838	31,021	218,346	2,465,602	1,409,131	-	1,409,131
Human Services	601,081	111,740	59,803	-	(429,538)	-	(429,538)
Culture and Recreation	1,003,519	60,955	670,558	-	(272,006)	-	(272,006)
Intergovernmental	185,847	-	-	-	(185,847)	-	(185,847)
Employee Benefits	3,912,719	-	-	-	(3,912,719)	-	(3,912,719)
Interest on Long Term Debt	469,615	-	-	-	(469,615)	-	(469,615)
Total Governmental Activities	<u>24,211,307</u>	<u>1,247,014</u>	<u>3,279,582</u>	<u>2,465,602</u>	<u>(17,219,109)</u>	<u>-</u>	<u>(17,219,109)</u>
<i>Business-Type Activities:</i>							
Water	<u>669,335</u>	<u>776,224</u>	<u>8,302</u>	<u>183,185</u>	<u>-</u>	<u>298,376</u>	<u>298,376</u>
Total Business-Type Activities	<u>669,335</u>	<u>776,224</u>	<u>8,302</u>	<u>183,185</u>	<u>-</u>	<u>298,376</u>	<u>298,376</u>
Total Primary Government	<u>\$ 24,880,642</u>	<u>\$ 2,023,238</u>	<u>\$ 3,287,884</u>	<u>\$ 2,648,787</u>	<u>(17,219,109)</u>	<u>298,376</u>	<u>(16,920,733)</u>
<i>General Revenues:</i>							
Property Taxes					16,758,464	-	16,758,464
Motor Vehicle and Other Excise Taxes					835,866	-	835,866
Penalties and Interest on Taxes					39,090	-	39,090
Other Taxes, Assessments and in Lieu Payments					65,074	-	65,074
Intergovernmental					673,087	-	673,087
Interest and Investment Income					26,169	-	26,169
Miscellaneous					20,285	-	20,285
Contributions to Permanent Funds					20,475	-	20,475
Special Items:							
Gain (Loss) on Disposal of Capital Assets					3,750	(13,730)	(9,980)
Transfers, Net					101,060	(101,060)	-
Total General Revenues, Special Items and Transfers					<u>18,543,320</u>	<u>(114,790)</u>	<u>18,428,530</u>
Change in Net Assets					1,324,211	183,586	1,507,797
Net Assets:							
Beginning of the Year					25,707,812	6,501,474	32,209,286
Prior Period Adjustment					(283,824)	295,449	11,625
Beginning of the Year, as Restated					<u>25,423,988</u>	<u>6,796,923</u>	<u>32,220,911</u>
End of the Year					<u>\$ 26,748,199</u>	<u>\$ 6,980,509</u>	<u>\$ 33,728,708</u>

Town of Topsfield, Massachusetts

Governmental Funds

Balance Sheet

June 30, 2010

			Nonmajor Governmental	Total Governmental
	<u>General</u>	<u>Gould Trust</u>	<u>Funds</u>	<u>Funds</u>
<u>Assets</u>				
Cash/Investments	\$ 2,948,313	\$ 6,180,520	\$ 3,446,799	\$ 12,575,632
Petty Cash	971	-	-	971
Accounts Receivable:				
Property Taxes	204,894	-	-	204,894
Tax Liens	76,590	-	-	76,590
Excises	71,861	-	-	71,861
Intergovernmental	5,051,109	-	262,545	5,313,654
Tax Foreclosures	13,389	-	-	13,389
Total Assets	<u>\$ 8,367,127</u>	<u>\$ 6,180,520</u>	<u>\$ 3,709,344</u>	<u>\$ 18,256,991</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Warrants Payable	\$ 55,811	\$ -	\$ 27,721	\$ 83,532
Accrued Payroll Payable	206,525	-	12,889	219,414
Employees' Withholding Payable	129,950	-	-	129,950
Unclaimed Checks	4,382	-	-	4,382
Guarantee Deposits	66,004	-	-	66,004
Bond Anticipation Notes Payable	-	-	400,000	400,000
Landfill Closure Costs Payable	-	-	6,471	6,471
Other Liabilities	145	-	(3,890)	(3,745)
Deferred Revenue:				
Property Taxes	146,363	-	-	146,363
Property Taxes Paid in Advance	229,851	-	-	229,851
Tax Liens	76,590	-	-	76,590
Excises	71,861	-	-	71,861
Tax Foreclosures	13,389	-	-	13,389
Intergovernmental	5,040,931	-	63,746	5,104,677
Total Liabilities	<u>6,041,802</u>	<u>-</u>	<u>506,937</u>	<u>6,548,739</u>
Fund Equity:				
Fund Balances:				
Reserved for Encumbrances	244,632	-	6,556	251,188
Reserved for Petty Cash	971	-	-	971
Reserved for Perpetual Permanent Funds	-	5,448,102	644,276	6,092,378
Unreserved:				
Designated for Subsequent Year's Expenditures	512,621	66,000	70,848	649,469
Undesignated, Reported in:				
General Fund	1,567,101	-	-	1,567,101
Special Revenue Fund	-	-	2,276,115	2,276,115
Capital Projects Fund	-	-	(400,000)	(400,000)
Permanent Fund	-	666,418	604,612	1,271,030
Total Fund Balances	<u>2,325,325</u>	<u>6,180,520</u>	<u>3,202,407</u>	<u>11,708,252</u>
Total Liabilities and Fund Balances	<u>\$ 8,367,127</u>	<u>\$ 6,180,520</u>	<u>\$ 3,709,344</u>	<u>\$ 18,256,991</u>

Town of Topsfield, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2010

	<u>General</u>	<u>Gould Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>				
Property Taxes	\$ 16,456,661	\$ -	\$ -	\$ 16,456,661
Tax Liens	63,845	-	-	63,845
Excises	840,615	-	-	840,615
Penalties and Interest	39,090	-	-	39,090
Licenses and Permits	380,756	-	-	380,756
Intergovernmental	3,099,445	-	515,147	3,614,592
Charges for Services	92,112	-	579,417	671,529
Fines and Forfeits	64,957	-	-	64,957
Earnings on Investments	22,444	599,799	61,364	683,607
In Lieu of Taxes	65,104	-	-	65,104
Contributions	-	-	51,671	51,671
Miscellaneous	96,051	-	86,284	182,335
Total Revenues	<u>21,221,080</u>	<u>599,799</u>	<u>1,293,883</u>	<u>23,114,762</u>
<u>Expenditures:</u>				
Current:				
General Government	1,000,300	-	37,734	1,038,034
Public Safety	2,337,162	-	40,860	2,378,022
Education	12,551,403	-	640,330	13,191,733
Highways and Public Works	778,745	-	233,847	1,012,592
Human Services	549,759	-	51,322	601,081
Culture and Recreation	776,217	132,645	139,508	1,048,370
Intergovernmental	185,847	-	-	185,847
Employee Benefits	2,348,036	-	-	2,348,036
Debt Service:				
Principal	618,000	-	-	618,000
Interest	478,369	-	-	478,369
Total Expenditures	<u>21,623,838</u>	<u>132,645</u>	<u>1,143,601</u>	<u>22,900,084</u>
Excess of Revenues Over (Under) Expenditures	<u>(402,758)</u>	<u>467,154</u>	<u>150,282</u>	<u>214,678</u>
Other Financing Sources (Uses):				
Operating Transfers In	470,492	-	-	470,492
Operating Transfers (Out)	-	(66,000)	(303,432)	(369,432)
Total Other Financing Sources (Uses)	<u>470,492</u>	<u>(66,000)</u>	<u>(303,432)</u>	<u>101,060</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	67,734	401,154	(153,150)	315,738
Fund Balance, July 1, 2009	<u>2,257,591</u>	<u>5,779,366</u>	<u>3,355,557</u>	<u>11,392,514</u>
Fund Balance, June 30, 2010	<u>\$ 2,325,325</u>	<u>\$ 6,180,520</u>	<u>\$ 3,202,407</u>	<u>\$ 11,708,252</u>

Town of Topsfield, Massachusetts  
Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Assets  
Fiscal Year Ended June 30, 2010

Total governmental fund balances	\$ 11,708,252
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,037,262
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	5,629,342
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(9,090,500)
Accrued Interest on Bonds	(131,487)
Landfill Accrued Liability	(1,002,877)
Lease Payable	(24,354)
Contractual Payroll Obligations	(55,327)
Other Post Employment Benefit Obligations	(3,083,225)
Compensated Absences	(238,887)
	<hr/>
Net assets of governmental activities	<u><u>\$ 26,748,199</u></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, 2010

Net change in fund balances - total governmental funds	\$ 315,738
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	2,133,887
In the statement of activities, the gain on the trade in of capital assets is reported, whereas in the governmental funds, only the proceeds not the gain is not reported. This amount represents the gain net of the proceeds from the sale of assets.	3,750
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(149,656)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and 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.	618,000
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, interest is not reported until due. This amount represents the net change in accrued interest payable.	8,754
A landfill liability was fully accrued in prior year in the statement of activities. Therefore the current year statement of activities does not report an expense, whereas the governmental funds report an expense when paid.	25,375
Some expenses reported in the Statement of Activities, such as compensated absences, other post employment benefits and contractual payroll obligations, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in those liabilities.	(1,631,637)
Change in net assets of governmental activities	<u><u>\$ 1,324,211</u></u>

Town of Topsfield, Massachusetts  
Proprietary Funds  
Statement of Net Assets  
June 30, 2010

	Business - Type Activities - <u>Enterprise Fund</u>
	<u>Water</u>
<b>Assets</b>	
Current:	
Cash and Cash Investments	\$ 1,587,096
Accounts Receivable, Net of Allowance for Uncollectibles:	
User Charges	71,520
Special Assessments	283
Noncurrent:	
Accounts Receivable:	
Deferred Special Assessments	6,833
Assets Not Being Depreciated	1,277,228
Assets Being Depreciated, Net	<u>5,284,989</u>
Total Asset	<u>8,227,949</u>
<b>Liabilities</b>	
Current:	
Warrants Payable	23,941
Accrued Payroll Payable	7,383
Interest Payable	1,444
Bond Anticipation Notes Payable	1,070,000
Bonds Payable	7,000
Noncurrent:	
Bonds Payable	82,500
Other Post Employment Benefit Obligations	<u>55,172</u>
Total Liabilities	<u>1,247,440</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,548,526
Unrestricted	<u>1,431,983</u>
Total Net Assets	<u><u>\$ 6,980,509</u></u>

Town of Topsfield, Massachusetts  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Fiscal Year Ended June 30, 2010

	<u>Water Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 776,224
Total Operating Revenues	<u>776,224</u>
Operating Expenditures:	
Personal Services	192,150
Nonpersonal Services	271,133
Depreciation	<u>184,998</u>
Total Operating Expenditures	<u>648,281</u>
Operating Income	<u>127,943</u>
Nonoperating Revenues (Expenses):	
Earnings on Investments	8,302
Gain (Loss) on Disposal of Capital Assets	(13,730)
Interest on Debt	<u>(21,054)</u>
Total Nonoperating Revenues (Expenses)	<u>(26,482)</u>
Income Before Contributions and Transfers	101,461
Contributed Capital Assets	183,185
Operating Transfers Out	<u>(101,060)</u>
Change in Net Assets	<u>183,586</u>
Retained Earnings July 1, 2009	6,501,474
Prior Period Adjustment	295,449
Retained Earnings July 1, 2009, as Restated	<u>6,796,923</u>
Retained Earnings June 30, 2010	<u><u>\$ 6,980,509</u></u>

Town of Topsfield, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2010

	Water
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 754,103
Payments to Employees	(154,757)
Payments to Vendors	(259,601)
Net Cash Flows from Operating Activities	<u>339,745</u>
Cash Flows from Non Capital Related Financing Activities:	
Transfers to Other Funds	(101,060)
Net Cash Flows from Non Capital Related Financing Activities	<u>(101,060)</u>
Cash Flows from Capital Related Financing Activities:	
Acquisition of Capital Assets	(680,432)
Proceed from Bond Anticipation Notes	535,000
Principal Payments on Bonds	(7,000)
Interest Payments on Debt	(21,150)
Net Cash Flows from Capital Related Financing Activities	<u>(173,582)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	8,302
Net Cash Flows from Investing Activities	<u>8,302</u>
Net Increase (Decrease) in Cash and Cash Equivalents	73,405
Cash and Cash Equivalents, July 1, 2009	<u>1,513,691</u>
Cash and Cash Equivalents, June 30, 2010	<u><u>\$ 1,587,096</u></u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 127,943
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	184,998
(Increase) Decrease in Accounts Receivable	(22,121)
Increase (Decrease) in Warrants Payable	48,925
Net Cash Provided by Operating Activities	<u><u>\$ 339,745</u></u>

Town of Topsfield, Massachusetts  
Notes to the Financial Statements  
June 30, 2010

I. **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, 2010, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter. In accounting and reporting on its enterprise fund, the Town has elected to apply all Governmental Accounting Standards Board ("GASB") pronouncements as well as Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, unless those pronouncements contradict GASB pronouncements, in which case, GASB prevails.

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

A. **Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

B. **Government-wide and fund financial statements**

The **government-wide financial statements** (i.e., the **statement of net assets** and the **statement of activities**) report information on all of the 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.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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 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 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.

Agency fund assets and liabilities are accounted for on the modified accrual basis of accounting.

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 Town reports the following major proprietary fund:

**Water Fund** – This fund is used to account for the activities related to the water distribution system.

D. Assets, Liabilities and Net Assets or Equity

i Deposits and Investments

The Town’s cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less 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 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 Municipal Depository Trust (“MMDT”).

Also, certain governmental funds (primarily trust funds) have broader investment powers which allow investments in common stocks, corporate bonds and other types of investments.

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 1<sup>st</sup> 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 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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	5-15
Improvements	20-30
Infrastructure	40-50
Vehicles	5-15

iv 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 for both 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 are included.

v Long-Term Obligations

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

In the 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.

vi Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the fund financial statements fund equity is comprised of the following:

Fund Balances

(a) Reserved for Encumbrances

Appropriations for certain projects and specific items not fully expended at year end are carried forward as reserved for encumbrances to the next year. At year end, reserved for encumbrances is reported as a component of fund balance.

(b) Reserved for Perpetual Permanent Funds

This account represents the principal portion of cash invested in the nonexpendable trust funds. Only the income earned from investing these funds can be expended for purposes specified in the trust instrument.

(c) Designated for Subsequent Year's Expenditures

This account represents amounts transferred (by Town meeting votes) from other fund balance accounts to fund the subsequent year's budget.

vii 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.

viii Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1, 2010 and July 15, 2010. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2010 and the corresponding credit is to the account entitled warrants payable.



E. Change in Expenditure Function Reporting

The expenditures related to other post employment benefits were reported in a separate function in the 2009 financial statements. The other post employment benefits expenditures were included in the employee benefits function in 2010.

II Stewardship, Compliance and Accountability

A. Budgetary Information

i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until May, which is when 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.

ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2010 adjusted for any special Town meeting votes applicable to fiscal 2010 and 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, 2010.

	<u>Revenues</u>
As Reported Budget Basis	\$ 20,357,681
Adjustments:	
Sixty Day Property Tax Accrual - Net	(29,798)
On Behalf Payments Included in Intergovernmental	893,197
As Reported Fund Statement	<u>\$ 21,221,080</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 20,657,221
Adjustments:	
July 1, 2009 Encumbrances	318,052
June 30, 2010 Encumbrances	(244,632)
On Behalf Payments Included in Employee Benefits	893,197
As Reported Fund Statement	<u>\$ 21,623,838</u>

### III Detailed Notes on All Funds

#### A. Deposits and Investments

##### i) Deposits

###### a) 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, 2010, \$2,718,081 of the Town's bank balance of \$6,395,963 was exposed to credit risk as follows:

Uninsured and Uncollateralized	<u>\$2,718,081</u>
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##### ii) Investments

a) As of June 30, 2010, 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>5-10</u>
U. S. Government Obligations	\$ 541,799	\$ 310,146	\$ 180,989	\$ 50,664
Corporate Bonds	<u>2,444,114</u>	<u>-</u>	<u>2,444,114</u>	<u>-</u>
Total	<u>\$ 2,985,913</u>	<u>\$ 310,146</u>	<u>\$ 2,625,103</u>	<u>\$ 50,664</u>

###### b) 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.

###### c) Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Commonwealth of Massachusetts has an investment "legal list" that the Town follows. However, the Town does not have its formal policy relating to credit risk. As of June 30, 2010, the Town's investments in U.S. Government Obligations were rated Aaa by Moody's, the Town's investments in Corporate Bonds were rated A or higher by Moody's.

###### d) 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 (State law limits the amount that may be deposited in a financial institution without collateralization).

## B. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Government Activities:				
Assets not Being Depreciated:				
Land	\$ 5,196,767	\$ -	\$ -	\$ 5,196,767
Work In Process	689,653	2,733,408	-	3,423,061
Total Capital Assets Not Being Depreciated	<u>5,886,420</u>	<u>2,733,408</u>	<u>-</u>	<u>8,619,828</u>
Assets Being Depreciated:				
Buildings	17,456,025	123,381	-	17,579,406
Improvements Other Than Buildings	266,947	-	-	266,947
Infrastructure	9,651,960	-	-	9,651,960
Equipment	1,557,706	6,494	(30,000)	1,534,200
Vehicles	1,670,379	63,821	(58,249)	1,675,951
Total Capital Assets Being Depreciated	<u>30,603,017</u>	<u>193,696</u>	<u>(88,249)</u>	<u>30,708,464</u>
Less Accumulated Depreciation for:				
Buildings	(5,512,871)	(421,790)	-	(5,934,661)
Improvements Other Than Buildings	(116,980)	(10,703)	-	(127,683)
Infrastructure	(7,623,363)	(247,697)	-	(7,871,060)
Equipment	(1,032,005)	(69,497)	29,250	(1,072,252)
Vehicles	(1,259,136)	(84,487)	58,249	(1,285,374)
Total Accumulated Depreciation	<u>(15,544,355)</u>	<u>(834,174)</u>	<u>87,499</u>	<u>(16,291,030)</u>
Total Capital Assets Being Depreciated, Net	<u>15,058,662</u>	<u>(640,478)</u>	<u>(750)</u>	<u>14,417,434</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,945,082</u>	<u>\$ (640,478)</u>	<u>\$ (750)</u>	<u>\$ 23,037,262</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 9,472
Public Safety	97,897
Education	268,771
Highways and Public Works	360,159
Culture and Recreation	97,875
Total Governmental Activities Depreciation Expense	<u>\$ 834,174</u>

## B. Capital Assets (Continued)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Business-Type Activities:				
Assets Not Being Depreciated:				
Land	\$ 323,038	\$ -	\$ -	\$ 323,038
Work In Process	295,449	658,741	-	954,190
Total Capital Assets Not Being Depreciated	<u>618,487</u>	<u>658,741</u>	<u>-</u>	<u>1,277,228</u>
Assets Being Depreciated:				
Buildings	140,908	-	-	140,908
Improvements Other Than Buildings	28,360	-	-	28,360
Infrastructure	8,183,977	183,185	(89,054)	8,278,108
Equipment	87,600	-	-	87,600
Vehicles	75,098	23,191	(18,000)	80,289
Total Capital Assets Being Depreciated	<u>8,515,943</u>	<u>206,376</u>	<u>(107,054)</u>	<u>8,615,265</u>
Less Accumulated Depreciation for:				
Buildings	(23,042)	(3,613)	-	(26,655)
Improvements Other Than Buildings	(8,140)	(2,040)	-	(10,180)
Infrastructure	(3,096,622)	(162,636)	73,823	(3,185,435)
Equipment	(44,683)	(7,400)	-	(52,083)
Vehicles	(64,614)	(9,309)	18,000	(55,923)
Total Accumulated Depreciation	<u>(3,237,101)</u>	<u>(184,998)</u>	<u>91,823</u>	<u>(3,330,276)</u>
Total Capital Assets Being Depreciated, Net	<u>5,278,842</u>	<u>21,378</u>	<u>(15,231)</u>	<u>5,284,989</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,897,329</u>	<u>\$ 21,378</u>	<u>\$ (15,231)</u>	<u>\$ 6,562,217</u>

## C. Accounts Receivable

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

### General Fund

#### Property Taxes Receivable:

##### Real Estate Taxes

2010	<u>\$ 192,750</u>	
Total Real Estate Taxes		<u>192,750</u>

##### Personal Property Taxes

2010	1,201
2009	955
2008	769
2007	298
2006	207
2005	594
2004	387
2003	208
2002	224

C. Accounts Receivable (Continued)

2001	60	
2000	64	
1994	1,121	
1993	1,151	
1992	1,067	
1991 and Prior Years	3,838	
Total Personal Property Taxes		12,144
Total Property Taxes Receivable		<u>\$ 204,894</u>
Tax Liens		<u>\$ 76,590</u>

Excise Taxes Receivable:

Motor Vehicle Excise Tax

2010	\$ 35,398	
2009	9,179	
2008	3,689	
2007	4,668	
2006	3,174	
2005	6,342	
2004	7,607	
2003	1,804	
Total Excise Tax		<u>\$ 71,861</u>

Intergovernmental:

Current:

Due from Commonwealth of Massachusetts

Highway, and other	\$ 219,454	
Topsfield Linear Common Grants	31,207	
911 Training Grants	33	
Various State and Federal Grants	22,029	
School Building Assistance Bureau	430,057	
Total Current		<u>702,780</u>

Noncurrent:

School Building Assistance Bureau	4,610,874	
Total Intergovernmental		<u>\$ 5,313,654</u>

Enterprise Fund

Current:

User Charges		<u>\$ 71,520</u>
Special Assessments		<u>\$ 283</u>

Noncurrent

Deferred Special Assessments:		<u>\$ 6,833</u>
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D. Debt

i Short Term Debt

Bond Anticipation Notes Payable

As of June 30, 2010, the Town had bond anticipation notes outstanding as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>	1.24%	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	1/21/2011
<u>Business-type Activities:</u>	1.24%	<u>\$ 535,000</u>	<u>\$ 1,070,000</u>	<u>\$ 535,000</u>	<u>\$ 1,070,000</u>	1/21/2011

ii Long Term Debt

General obligation bonds outstanding at June 30, 2010 bear interest at various rates.

- (a) The following is a summary of bond transactions for the fiscal year ended June 30, 2010:

	<u>General Long Term Debt Group</u>	<u>Enterprise Fund</u>	<u>Total</u>
Balance July 1, 2009	\$ 9,708,500	\$ 96,500	\$ 9,805,000
Add: New Issues	-	-	-
Less: Maturities	(618,000)	(7,000)	(625,000)
Balance June 30, 2010	<u>\$ 9,090,500</u>	<u>\$ 89,500</u>	<u>\$ 9,180,000</u>

- (b) Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		<u>Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 643,000	\$ 438,041	\$ 7,000	\$ 4,333
2012	677,500	410,713	7,500	4,036
2013	712,000	379,063	8,000	3,661
2014	751,500	345,788	8,500	3,261
2015	776,500	310,484	8,500	2,869
2016 - 2020	4,090,000	971,232	50,000	7,708
2021 - 2025	1,440,000	106,500	-	-
	<u>\$ 9,090,500</u>	<u>\$ 2,961,821</u>	<u>\$ 89,500</u>	<u>\$ 25,868</u>

D. Debt (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2010, are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
05/04/04	Ipswich Road Water Main	\$ 550,000
05/03/05	Washington/Gail/Grove Water Main	520,000
05/02/06	Ipswich Road Water Main	100,000
05/01/07	Asbury/Rowley Bridge	400,000
05/05/09	Fire Pumper	250,000
	Total	<u>\$ 1,820,000</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

	<u>Transfer</u> <u>In</u>	<u>Transfer</u> <u>Out</u>
General	\$ 470,492	\$ -
Gould Trust	-	(66,000)
Non-Major Governmental	-	(303,432)
Enterprise - Business Type	-	(101,060)
	<u>\$ 470,492</u>	<u>\$ (470,492)</u>

IV Other Information

A. Pension Plans

(a) Plan Description

The Town provides pension benefits to employees by contributing to Essex Regional Retirement 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.

The system 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 County Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923.

(b) 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 is 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.

The Town's contributions for the years ending June 30, 2010, 2009 and 2008 were \$630,612, \$576,103 and \$618,800, respectively, equal to 100% of the required contribution each year.

(c) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" that are effective June 30, 2010. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town's retirees receiving a pension from the Essex Regional Retirement System are eligible for post retirement medical benefits. Currently there are 174 active employees and 67 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays either 60% or 67% of the total premiums for health insurance (depending on the retirees' insurance plan) and 67% of premiums for a \$2,500 life insurance policy. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.
- c. **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 43 and 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, 2010, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$ 1,930,137
Interest on Net OPEB Obligation	69,156
Adjustment to Annual Required Contribution	(94,346)
Annual OPEB Cost (Expense)	1,904,947
Contributions Made	(190,543)
Allocations for Implicit Rate Subsidy	(112,803)
Increase in Net OPEB Obligation	1,601,601
Net OPEB Obligation (NOO)- Beginning of Year	1,536,796
Net OPEB Obligation (NOO)- End of Year	<u>\$ 3,138,397</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for the current transition year is as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$1,885,230	18%	\$1,536,796
2010	\$1,904,947	16%	\$3,138,397

- d. **Funded Status and Funding Progress.** As of July 1, 2009 the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$15,246,807, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$15,246,807.

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 trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (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.

- e. **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) and considers 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, 2009, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4.5 percent. The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year amortization period.

B. On Behalf Payments

In accordance with Government Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income and expense, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth of Massachusetts.

For the fiscal year ended June 30, 2010, the Commonwealth paid \$893,197 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying basic financial statements include the required adjustments, which have increased both Intergovernmental revenues and 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 change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2010, or fund balances at June 30, 2010.

C. Subsequent Year Authorizations

On May 4, 2010, the Town adopted a fiscal 2011 operating and capital budget of \$22,032,813. Fiscal 2011 budgetary amounts which are not reflected (except for reserved for expenditures) in the accompanying financial statements will be financed by the following sources:

2011 Property Taxes, State Aid	\$ 20,257,865
and Non-Property Tax Revenue	
Enterprise Fund Revenues	855,581
Enterprise Fund Retained Earnings	99,000
Other Available Funds	207,658
Reserved for Subsequent Year's Expenditures:	
(Reflected on Balance Sheet)	
General Fund	512,621
Gould Major Fund	66,000
Non-Major Funds	34,088
	<u>\$ 22,032,813</u>

D. Solid Waste Landfill Closure and Postclosure Care Costs

State and Federal regulations require that landfill closures meet certain standards. Among the standards is the requirement to monitor the landfill for 30 years. Accounting principles generally accepted in the United States of America require recognition of a liability for closure and postclosure costs based on landfill capacity used to date. The landfill capacity used to date is 100%. During fiscal 1999, the landfill was closed and capping of the landfill has been completed.

The Town's estimate for monitoring costs are included as a liability in the Statement of Net Assets.

E. Prior Period Adjustments

Prior period adjustments were made in the entity wide financial statements as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
To reclassify Capital Assets	\$ (295,449)	\$ 295,449	\$ -
Adjustment of landfill post closure estimate	<u>11,625</u>	<u>-</u>	<u>11,625</u>
Total	<u>\$ (283,824)</u>	<u>\$ 295,449</u>	<u>\$ 11,625</u>

F. Contingent Liability

The Town has pending litigation regarding the payment of steps in the teachers' contract. The potential liability is \$76,000.

The Town, also, has pending litigation before the Appellate Tax Board relating to fiscal years 2007 and 2008 Real Estate Taxes. The total tax for the two years was \$32,184. If the Town loses the case, the taxes will have to be repaid along with 6% interest. The likelihood of an unfavorable outcome is unclear.

In addition, the Town has other pending litigation that will not materially affect the financial statements

## ***REQUIRED SUPPLEMENTARY INFORMATION***

Town of Topsfield, Massachusetts  
Required Supplementary Information  
General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues</u>				
Property Taxes	\$ 16,499,314	\$ 16,499,314	\$ 16,486,459	\$ (12,855)
Tax Liens	-	-	63,845	63,845
Excises	736,000	736,000	840,615	104,615
Penalties and Interest	25,300	25,300	39,090	13,790
Licenses, Permits and Fees	265,000	265,000	380,756	115,756
Intergovernmental	2,206,098	2,206,098	2,206,248	150
Charges for Services	61,500	61,500	92,112	30,612
Fines and Forfeits	48,400	48,400	64,957	16,557
Earnings on Investments	18,000	18,000	22,444	4,444
In Lieu of Taxes	60,000	60,000	65,104	5,104
Miscellaneous	500	500	96,051	95,551
Total Revenues	<u>19,920,112</u>	<u>19,920,112</u>	<u>20,357,681</u>	<u>437,569</u>
<u>Expenditures</u>				
General Government	1,124,386	1,027,863	968,154	59,709
Public Safety	2,339,555	2,353,319	2,335,279	18,040
Education	11,718,574	11,717,712	11,686,823	30,889
Highway and Public Works	756,485	794,524	787,924	6,600
Health and Human Services	553,761	568,986	551,233	17,753
Culture and Recreation	700,408	711,076	698,470	12,606
Intergovernmental	179,472	179,472	185,847	(6,375)
Employee Benefits	2,453,559	2,410,862	2,347,122	63,740
Debt Service:				
Principal	618,000	618,000	618,000	-
Interest	499,578	499,578	478,369	21,209
Total Expenditures	<u>20,943,778</u>	<u>20,881,392</u>	<u>20,657,221</u>	<u>224,171</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(1,023,666)</u>	<u>(961,280)</u>	<u>(299,540)</u>	<u>661,740</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	447,148	462,939	470,492	7,553
Other Available Funds	74,342	84,342	84,342	-
Budgetary Fund Balance - Sources	638,197	638,197	638,197	-
Budgetary Fund Balance - Uses	(136,021)	(136,021)	(136,021)	-
Budgetary Reserve for Subsequent Year	-	(88,177)	(88,177)	-
Total Other Financing Sources (Uses)	<u>1,023,666</u>	<u>961,280</u>	<u>968,833</u>	<u>7,553</u>
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures And Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,293</u>	<u>\$ 669,293</u>

Town of Topsfield, Massachusetts  
Required Supplementary Information  
Essex Regional Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1992	\$ 61,357,800	\$ 143,785,900	\$ 82,428,100	42.67%	\$ 52,995,500	155.54%
1/1/1994	80,878,500	178,256,800	97,378,300	45.37%	62,076,500	156.87%
1/1/1996	106,176,700	200,397,500	94,220,800	52.98%	72,953,200	129.15%
1/1/1998	151,293,900	245,965,100	94,671,200	61.51%	85,785,000	110.36%
1/1/1999	180,034,700	268,386,000	88,351,300	67.08%	89,645,300	98.56%
1/1/2000	190,363,700	253,847,100	63,483,400	74.99%	69,525,900	91.31%
1/1/2002	218,346,198	287,390,715	69,044,517	75.98%	85,005,338	81.22%
1/1/2004	229,852,971	333,396,222	103,543,251	68.94%	93,404,002	110.86%
1/1/2006	261,327,047	376,034,621	114,707,574	69.50%	98,641,094	116.29%
1/1/2008	301,420,965	445,171,554	143,750,589	67.71%	111,726,856	128.66%

Town of Topsfield, Massachusetts  
Required Supplementary Information  
Essex Regional Retirement System  
Schedule of Employer's Contributions

System Wide				Town of Topsfield	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2000	\$9,598,269	\$9,598,269	100.00%	\$333,617	3.48%
2001	12,014,561	12,014,561	100.00%	265,626	2.21%
2002	9,840,064	9,840,064	100.00%	354,891	3.61%
2003	12,516,569	12,516,569	100.00%	396,341	3.17%
2004	12,223,776	12,223,776	100.00%	427,475	3.50%
2005	13,080,011	13,080,011	100.00%	420,927	3.22%
2006	16,622,274	16,622,274	100.00%	473,082	2.85%
2007	15,788,864	15,788,864	100.00%	518,521	3.28%

Town of Topsfield, Massachusetts  
Required Supplementary Information - GASB 45  
Schedule of Funding Progress  
Fiscal Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
7/1/2007	\$0	\$14,702,233	\$14,702,233	0%	6,582,185	223%
7/1/2009	\$0	\$15,246,807	\$15,246,807	0%	7,818,687	195%



Required Supplementary Information - GASB 45

Town of Topsfield, Massachusetts

Valuation Details

Fiscal Year Ended June 30, 2010

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Valuation Date	July 1, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar thirty year
Remaining Amortization Period	29 years as of July 1, 2009
Asset Valuation Method	Not applicable - plan is unfunded

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**Actuarial Assumptions:**

Investment Rate of Return	4.5%, pay-as-you-go scenario
Health Care Trend Rates	8.0% graded off 0.5% per year to an ultimate rate of 4.5% per year

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Plan Membership:

Current retirees, beneficiaries, and dependents	67
Current active members	<u>174</u>
Total	<u><u>241</u></u>

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Town of Topsfield, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2010

I 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.

II Pension Plans

(a) Plan Description

The Town provides pension benefits to employees by contributing to Essex Regional Retirement 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.

The system 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, County Office Building, 36 Federal Street, Room 210, Salem, Massachusetts 01970-3483.

(b) 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 is 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.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Essex Regional Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

(c) Actuarial Assumptions

<b>Actuarial Cost Method</b>	Entry age normal cost method.
<b>Amortization Method</b>	Approximate level percent of payroll based on 4.5% annual increases; except level dollar for Early Retirement Incentives ERI liability for certain units.
<b>Remaining Amortization Period</b>	As of July 1, 2008, schedules as selected by units for 2002 ERI liability, schedules as selected by unit for 2003 ERI liability and 20 years for the remaining unfunded liability.
<b>Asset Valuation Method</b>	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

**Actuarial Assumptions:**

Investment Rate of Return	8.50%
Projected Salary Increases	5.00%
Cost of Living Adjustments	3.00% of the first \$12,000 of retirement income

**Plan Membership:**

Retired Participants and Beneficiaries Receiving Benefits	1,568
Inactive Participants Entitled to a Return of their Employee Contributions	880
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	65
Active Participants	<u>3,139</u>
Total	<u>5,652</u>

III Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2010. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits described above, the Town provides the majority of retired employees with payments for a portion of their health care and life insurance benefits. All of the Town's retirees receiving a pension from the Essex Regional Retirement System are eligible for post retirement medical benefits. Currently there are 174 active employees and 67 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.
- b. **Funding Policy.** The Town pays either 60% or 67% of the total premiums for health insurance (depending on the retirees' insurance plan) and 67% of premiums for a \$2,500 life insurance policy. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
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 01864

We have audited the basic financial statements of the Town of Topsfield as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Topsfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of Topsfield, in a separate letter dated December 10, 2010.

The report is intended solely for the information and use of management, the Board of Selectmen and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
December 7, 2010

## EDWARDS ANGELL PALMER &amp; DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Barbara B. Michalowski, Treasurer  
Town of Topsfield  
Topsfield, Massachusetts

\$4,040,000  
Town of Topsfield, Massachusetts  
General Obligation Municipal Purpose Loan of 2011 Bonds  
Dated January 15, 2011

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

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

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

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

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town

has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

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

Edwards Angell Palmer & Dodge LLP

BOS111 12547062.1



**PROPOSED FORM OF  
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Topsfield, Massachusetts (the “Issuer”) in connection with the issuance of its \$4,040,000 General Obligation Municipal Purpose Loan of 2011 Bonds dated January 15, 2011 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

**SECTION 3. Provision of Annual Reports.**

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated January \_\_, 2011 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

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

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

Date: January 21, 2011

TOWN OF TOPSFIELD,  
MASSACHUSETTS

By \_\_\_\_\_  
Treasurer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Selectmen

## EXHIBIT A

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board  
<http://emma.msrb.org>

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Town of Topsfield, Massachusetts

Name of Issue: \$4,040,000 General Obligation Municipal Purpose Loan of 2011 Bonds

Date of Issuance: January 21, 2011

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the Issuer dated January 21, 2011. The Issuer anticipates that the Annual Report will be filed by

\_\_\_\_\_.

Dated: \_\_\_\_\_

TOWN OF TOPSFIELD,  
MASSACHUSETTS

By \_\_\_\_\_

BOS111 12547067.1

**PROPOSAL FOR**  
**\$4,145,000\***  
**General Obligation Municipal Purpose Loan of 2011 Bonds**  
**Topsfield, Massachusetts**

Sale Date: January 11, 2011

Barbara M. Michalowski  
 Topsfield, Massachusetts  
 c/o Eastern Bank, Municipal Finance Department  
 265 Franklin Street  
 Boston, Massachusetts 02110

Dear Ms. Michalowski:

For all of \$4,145,000 Town of Topsfield, Massachusetts, General Obligation Municipal Purpose Loan of 2011 Bonds as further described in the Notice of Sale dated December 30, 2010, we bid \_\_\_\_\_ and accrued interest, if any, for each \$100 face value of bonds, bearing interest at the rate or rates per annum as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2012.....	%	2020.....	%
2013.....		2021.....	
2014.....		2022.....	
2015.....		2023.....	
2016.....		2024.....	
2017.....		2025.....	
2018.....		2026.....	
2019.....			

**TERM BONDS (Optional)**

\$ \_\_\_\_\_ Term Bond maturing on January 15, \_\_\_\_\_ at \_\_\_\_\_ % per annum

\$ \_\_\_\_\_ Term Bond maturing on January 15, \_\_\_\_\_ at \_\_\_\_\_ % per annum

If Term Bond(s) are included in this bid, they shall be subject to the restrictions and mandatory redemption requirements set forth in the Notice of Sale.

Insurance Premium: \$ \_\_\_\_\_

Insurer: \_\_\_\_\_

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

By: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Address: \_\_\_\_\_ Fax: \_\_\_\_\_  
 \_\_\_\_\_

The following is our computation of the net interest cost and percent true interest cost, made as provided in the above-mentioned Notice of Sale, for the purchase of \$4,145,000 Bonds under the foregoing proposal:

Gross Interest Cost.....	\$ _____
Underwriters Premium.....	\$ _____
Net Interest Cost.....	\$ _____
Percent True Interest Cost.....	_____ %

(four decimals)

The Municipal Finance Department of Eastern Bank will assist in submitting bids on this issue, if desired. Please sign a blank bid form and mail to the above address or fax in advance of the sale to: (617) 235-8110; or telephone final figures to us at (617) 235-8106 or 235-8104 approximately one-half hour prior to the sale. Bidders are responsible for any error in bids submitted in this manner.