

FINAL OFFICIAL STATEMENT DATED FEBRUARY 14, 2019

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

\$12,780,000**TOWN OF TOPSFIELD****Massachusetts****GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS****Dated: Date of Delivery****Due: March 1, 2020 – 2044****MATURITIES**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP 890788</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP 890788</u>
2020	\$ 380,000	5.000%	1.400%	HJ4	2031	\$ 610,000	3.000%	2.800%	HV7
2021	390,000	5.000	1.450	HK1	2032	620,000	3.000	2.900	HW5
2022	475,000	5.000	1.470	HL9	2033	625,000	3.000	3.000	HX3
2023	495,000	5.000	1.490	HM7	2034	625,000	3.000	3.090	HY1
2024	510,000	5.000	1.530	HN5	2035	625,000	3.125	3.150	HZ8
2025	525,000	5.000	1.620	HP0	2036	635,000	3.125	3.210	JA1
2026	545,000	5.000	1.680	HQ8	2037	640,000	3.250	3.300	JB9
2027	565,000	5.000	1.770	HR6	2038	645,000	3.250	3.360	JC7
2028	590,000	5.000	1.900	HS4	2039	475,000	3.375	3.410	JD5
2029	600,000	5.000	2.000	HT2	2040	300,000	3.375	3.500	JE3
2030	605,000	4.000	2.380	HU9					

\$630,000 Term Bonds Maturing on March 1, 2042 at 3.500% per annum, at 3.550% yield 890788 JG8

\$670,000 Term Bonds Maturing on March 1, 2044 at 3.500% per annum, at 3.600% yield 890788 JJ2

Principal of the Bonds will be payable on March 1 of the years in which the Bonds mature. Interest from the date of the Bonds will be payable on September 1, 2019, and semi-annually thereafter on each March 1 and September 1. The Bonds will be subject to redemption prior to their stated dates of maturity as described herein.

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

The legality of the Bonds will be approved by Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, serves as financial advisor to the Town. It is expected that the Bonds, in definitive form, will be delivered to DTC, or the offices of its custodial agent, on or after March 1, 2019, against payment in Federal Reserve funds.

Fidelity Capital Markets

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The information set forth herein has been obtained from the Town and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

ISSUE SUMMARY STATEMENT

Issuer:	Town of Topsfield, Massachusetts
Date of Sale:	Thursday, February 14, 2019, until 11:00 a.m. (Eastern Standard Time)
Method of Sale:	Electronic Bids via Parity
Location of Sale:	UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, MA
Issue:	\$12,780,000 General Obligation Municipal Purpose Loan of 2019 Bonds, Book-Entry Only (See “Book-Entry Transfer System”, herein.)
Purpose:	To fund the construction of a Water Treatment Facility, Elementary School Roofs and an addition to and remodeling of the Town Hall (See “Authorization and Use of Proceeds” herein.)
Minimum Bid:	Par, plus a minimum premium of not less than \$77,000.
Dated Date of Bonds:	March 1, 2019
Maturity Date of Bonds:	Serially on March 1, 2020 through 2044, as detailed herein.
Interest Payable:	September 1 and March 1, commencing September 1, 2019.
Redemption:	The Bonds are subject to redemption prior to their stated dates of maturity as described herein.
Credit Rating:	S&P Global Ratings has assigned a rating of AAA to the Bonds.
Security:	The Bonds are valid general obligations of the Town of Topsfield, Massachusetts and the principal of and interest on the Bonds are payable from ad valorem taxes which may be levied upon all property within the territorial limits of the Town and taxable by it, 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 (\$9,046,000) 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 (\$3,734,000) and interest payments that the Town has not voted to exempt from that limit.
Basis of Award:	Lowest true interest cost (TIC) as of the dated date of the Bonds.
Tax Exemption:	Refer to “Tax Exemption” and Appendix C – “Proposed Form of Legal Opinion” herein.
Continuing Disclosure:	Refer to “Continuing Disclosure” and Appendix D – “Proposed Form of Continuing Disclosure Certificate” herein.
Bank Qualification:	<u>The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.</u>
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts
Delivery and Payment:	It is expected that the Bonds will be delivered to DTC, or to the offices of its custodial agent, against payment to the account of the Town in Federal Reserve funds on or about March 1, 2019.
Issue Contacts:	Barbara Michalowski, Treasurer, Town of Topsfield, Telephone (978) 887-1511 Lori E. Lombard, Vice President, UniBank Fiscal Advisory Services, Inc., Telephone (508) 849-4355 Brenda M. McDonough, Esq., Locke Lord LLP, Boston, Telephone (617) 239-0684
Additional Information:	Refer to the Preliminary Official Statement dated February 7, 2019.

NOTICE OF SALE

TOWN OF TOPSFIELD Massachusetts

\$13,500,000*

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS

The Town of Topsfield, Massachusetts, will receive electronic proposals until 11:00 a.m. (Eastern Standard Time), on Thursday, February 14, 2019 at UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, for the purchase of the following described Bonds:

\$13,500,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS payable March 1 of the years and in the amounts as follows:

<u>Due</u>	<u>Principal</u>	<u>Due</u>	<u>Principal</u>
<u>March 1</u>	<u>Amount*</u>	<u>March 1</u>	<u>Amount*</u>
2020	\$ 405,000	2033	\$ 655,000
2021	410,000	2034	670,000
2022	495,000	2035	675,000
2023	510,000	2036	680,000
2024	530,000	2037	690,000
2025	540,000	2038	700,000
2026	560,000	2039	505,000
2027	590,000	2040	315,000
2028	620,000	2041	330,000
2029	635,000	2042	340,000
2030	640,000	2043	355,000
2031	640,000	2044	370,000
2032	640,000		

** Preliminary, subject to change.*

Details of the Bonds

The Bonds will be dated March 1, 2019. Interest from the date of the Bonds will be payable on September 1, 2019, and semi-annually thereafter on each March 1 and September 1 until maturity. Principal of and interest on the Bonds will be paid as described below.

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

Bank Qualification

The Bonds will **not** be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Optional Redemption of the Bonds

The Bonds maturing in the years 2020 through 2027, inclusive, are not subject to redemption prior to their stated dates of maturity. The Bonds maturing on and after March 1, 2028, are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after March 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

Term Bonds

For Bonds maturing on and after March 1, 2028, bidders may specify that all of the principal amount of such Bonds having two or more consecutive maturities, may in lieu of having separate maturity dates, be combined to comprise one or more term bonds, and shall be subject to mandatory redemption or mature at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond having the earliest subsequent maturity date.

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

Form of Bid and Basis of Award

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

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

No bid of less than par, plus a premium of not less than \$77,000 plus accrued interest, if any, will be considered.

A good faith deposit is not required.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of March 1, 2019, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, if any, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Board of Selectmen and the Treasurer of the Town.

Par Amount Subject to Change

Within the limits set forth herein, the Town reserves the right to adjust the aggregate principal amount of the Bonds, and to adjust the principal amount of individual maturities of the Bonds. The purpose of such adjustments, if any, will be to limit the amount of bond proceeds, including premium, to approximately the amount needed for the cost of the projects being funded by the Bonds, to provide as near as practicable a level debt service schedule for certain purposes of the Bonds, and to pay the costs of issuance and to do so without an over-issuance of Bonds.

Immediately following the opening of the bids, the Town, acting through its financial advisor, will contact the apparent successful bidder by telephone to obtain the initial reoffering prices of each maturity of the Bonds, the premium to be paid on account of bond insurance, if any, and other information relevant to the sale of the Bonds. The apparent successful bidder shall then immediately deliver to the Town written confirmation by facsimile transmission as to such reoffering prices and bond insurance premium, if any. Upon being supplied with such initial reoffering prices and bond insurance premiums, if any, the Town will determine the need to adjust the principal amount of the Bonds or otherwise re-allocate the principal maturities of the Bonds. The Town expects to advise the successful bidder as soon as possible, but no later than 3:00 p.m., Eastern Standard Time, on the date of the sale of the amount, if any, of any changes in either the aggregate principal amount (which changes will be allocated among several maturities of the Bonds in a manner to be specified by the Town) or individual maturities (assuming no changes in the aggregate principal amount of the Bonds).

Any adjustment in either the aggregate principal amount or the individual maturities of the Bonds will be in an amount of \$5,000 or an integral multiple thereof. Bidders should be advised that bidding with a large premium could result in a reduction in the par amount of the Bonds.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the Town as stated herein. The successful bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Bond Insurance

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

Establishment of Issue Price

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

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

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

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by facsimile or email to the Financial Advisor (508-234-1938 and/or lori.lombard@unibank.com) or in its bid submitted via Parity, that it will not be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.

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

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Town will use the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Town will not require bidders to comply with the “hold-the-offering-price rule” set forth in the applicable Treasury Regulations and therefore does not intend to use the initial offering price to the public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity, if the competitive sale requirements are not met.

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

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

such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

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

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

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

Failure to Meet the Competitive Sale Requirements and/or The Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute or resell the Bonds to the public, then, whether or not the competitive sale requirements were met, the reoffering price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

Legal Opinion

The legality of the Bonds will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge. 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 the Official Statement other than matters expressly set forth as their opinion, and they make no representation that they have independently verified the same.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that the bidder shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form of Appendix C of the Preliminary Official Statement dated February 7, 2019, included herein, (b) a certificate in form satisfactory to said firm dated as of March 1, 2019, the delivery date of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, the Preliminary Official Statement did not, as of its date and the date of sale, and the Final Official Statement referred to below, did not as of its date and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (d) a Continuing Disclosure Certificate substantially in the form of Appendix D of the Preliminary Official Statement dated February 7, 2019, included herein.

CUSIP Identification Numbers

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

Continuing Disclosure

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.

Delivery

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or the offices of its custodial agent, on or about March 1, 2019, against payment in Federal Reserve funds.

Additional Information and Copies of the Official Statement

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated February 7, 2019, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the Town as of its date for purposes of SEC Rule 15c2-12(b)(1). Copies of the Preliminary Official Statement for the Bonds may be obtained from Lori Lombard, Vice President, UniBank Fiscal Advisory Services, Inc., 49 Church Street, Whitinsville, Massachusetts 01588, telephone (508) 849-4355. Within seven (7) business days following the award of the Bonds in accordance herewith, up to twenty-five (25) copies of a Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser's expense.

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

TOWN OF TOPSFIELD
Massachusetts

/s/ Barbara Michalowski
Treasurer

Dated: February 7, 2019

[Issue Price Certificate for Use If the Competitive Sale Requirements Are Met]**TOWN OF TOPSFIELD, MASSACHUSETTS****\$13,500,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS DATED MARCH 1, 2019****ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the “Successful Bidder”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”) of the Town of Topsfield, Massachusetts (the “Issuer”).

(1) Reasonably Expected Initial Offering Prices.

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

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

The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

(2) Defined Terms.

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

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

Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 14, 2019.

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

*Preliminary; subject to change.

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

Dated: March 1, 2019

[SUCCESSFUL BIDDER]

By: _____
Name:
Title:

Schedule A – Expected Reoffering Prices (to be attached)

Schedule B – Copy of Successful Bidder's Bid (to be attached)

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

**TOWN OF TOPSFIELD, MASSACHUSETTS
\$13,500,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS DATED MARCH 1, 2019**

ISSUE PRICE CERTIFICATE AND RECEIPT

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

1. **Sale of the Bonds.** As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

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

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

2. **Defined Terms.**

(a) *Issuer* means the Town of Topsfield, Massachusetts.

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

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

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

* Preliminary; subject to change.

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

Dated: March 1, 2019

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____

Name:

Title:

Schedule A – Sale Prices (to be attached)

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

**TOWN OF TOPSFIELD, MASSACHUSETTS
\$13,500,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS DATED MARCH 1, 2019**

ISSUE PRICE CERTIFICATE AND RECEIPT

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

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

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

[For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder] [Representative] and any other Underwriter did not reoffer the Unsold Maturities until the earlier of (i) _____, 2019 or (ii) the date on which the [Successful Bidder] [Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.]

2. Defined Terms.

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

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

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

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

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

* Preliminary; subject to change.

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

Dated: March 1, 2019

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: _____

Name:

Title:

Schedule A – Sale Prices (to be attached)

OFFICIAL STATEMENT

TOWN OF TOPSFIELD MASSACHUSETTS

\$12,780,000

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2019 BONDS

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 \$12,780,000 General Obligation Municipal Purpose Loan of 2019 Bonds, dated March 1, 2019 (the “Bonds”).

The Bonds are being offered for sale at public bidding and a Notice of Sale dated February 7, 2019, has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

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

Questions regarding information contained in this Official Statement or other matters should be directed to the following: Barbara Michalowski, Treasurer, Town of Topsfield, Massachusetts (978) 887-1511; Lori E. Lombard, Vice President, UniBank Fiscal Advisory Services, Inc., (508) 849-4355; or Brenda M. McDonough, Esq., Locke Lord LLP, (617) 239-0384.

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

PART I

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated March 1, 2019 and will mature on March 1 of the years and in the principal amounts as follows:

<u>Due March 1</u>	<u>Principal Amount</u>	<u>Due March 1</u>	<u>Principal Amount</u>
2020	\$ 380,000	2031	\$ 610,000
2021	390,000	2032	620,000
2022	475,000	2033	625,000
2023	495,000	2034	625,000
2024	510,000	2035	625,000
2025	525,000	2036	635,000
2026	545,000	2037	640,000
2027	565,000	2038	645,000
2028	590,000	2039	475,000
2029	600,000	2040	300,000
2030	605,000		

\$630,000 Term Bonds Maturing March 1, 2042

\$670,000 Term Bonds Maturing March 1, 2044

The Bonds will bear interest at the rate or rates per annum specified by the successful bidder. The Bonds are subject to redemption prior to maturity as described herein.

Principal and semi-annual interest will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor acting as paying agent (the "Paying Agent") for the Town. Interest from the date of the Bonds will be payable on September 1, 2019, and semi-annually thereafter on each March 1 and September 1 until maturity. So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the Bondowner, such payments of principal of and interest on the Bonds 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 are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

RECORD DATE

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

BOOK-ENTRY TRANSFER SYSTEM

The Depository Trust Company, New York, New York (“DTC”) 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent to vote with respect to securities held by DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer of securities as soon as possible after the record date. The Omnibus Proxy assigns

Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

DTC PRACTICES

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

AUTHORIZATION AND USE OF PROCEEDS

\$5,800,000 par amount of the Bonds are authorized under Chapter 44, Section 7(1), of the Massachusetts General Laws, as amended, and a vote of the Town passed on May 3, 2016 for remodeling and constructing an addition to the town hall. **The Town also voted on May 5, 2016 to exclude the debt service on these Bonds from the provisions of Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 ½).** The total authorization for this project is \$9,859,000 and \$1,500,000 bonds dated October 2017 were previously issued to finance project costs. The Town currently has \$8,261,680 bond anticipation notes outstanding against this authorization. These Bond proceeds will be used to retire \$6,000,000 of such notes maturing on March 8, 2019. The balance of \$2,261,680 bond anticipation notes maturing May 10, 2019 will be renewed to November 2019 and permanently financed at that time to complete the project.

\$3,734,000 par amount of the Bonds are authorized under Chapter 44, Section 8(4), of the Massachusetts General Laws, as amended, and a vote of the Town passed on June 20, 2017 for the purpose of constructing a water treatment facility in the Town. The total authorization for this project is \$9,250,000 and the Town has previously issued \$3,500,000 bonds dated October 2018 to finance project costs. These Bond proceeds will be used to retire \$4,000,000 bond anticipation notes maturing on May 10, 2019. An additional \$1,726,549 bond anticipation notes maturing May 10, 2019 will be renewed to November 2019 and permanently financed at the time of project completion. **The Town expects to raise water rates sufficient to pay the debt service on the Bonds.**

\$3,246,000 par amount of the Bonds are authorized under Chapter 70B of the Massachusetts General Laws, as amended, and a vote of the Town passed on May 2, 2017 for the purpose of replacing the school roofs at the Proctor and Steward Elementary Schools. **The Town also voted on May 4, 2017 to exclude the debt service on these Bonds from the provisions of Chapter 59, Section 21C of the Massachusetts General Laws (Proposition 2 ½).** The total authorization for the projects is \$7,651,757, a portion of which is expected to be funded by grant payments from the Massachusetts

School Building Authority (MSBA) for up to approximately 41.4% of eligible construction costs. To date, the Town has received \$2,266,741 grant funds from the MSBA. These Bond proceeds will be used to retire \$3,500,000 bond anticipation notes maturing on May 10, 2019. An additional \$1,759,063 bond anticipation notes maturing May 10, 2019 will be renewed to November 2019 and permanently financed at project completion.

OPTIONAL REDEMPTION

Bonds maturing in the years 2020 through 2027, inclusive, are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after March 1, 2028, are subject to redemption prior to maturity, at the option of the Town, on and after March 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

MANDATORY REDEMPTION

The Bonds maturing on March 1, 2042 and 2044, the “Term Bonds”, will be subject to mandatory redemption on March 1 in each year or years immediately prior to the stated maturity of such Term Bonds (the particular portion of the Term Bonds of such maturity to be redeemed to be selected by lot) as indicated herein.

The Bonds maturing on March 1, 2042 are subject to mandatory redemption or mature on March 1 in the year 2041 and 2042, inclusive, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2041	\$310,000
2042 [†]	320,000

The Bonds maturing on March 1, 2044 are subject to mandatory redemption or mature on March 1 in the year 2043 and 2044, inclusive, at the price of par, plus accrued interest to the redemption date, in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2043	\$330,000
2044 [†]	340,000

[†] Denotes final maturity.

NOTICE OF REDEMPTION

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds, prior to their maturities, specifying the Bonds (or portions thereof) to be redeemed shall be mailed, or sent in such other manner acceptable to DTC, to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants or of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption. If moneys for the redemption are held by the Paying Agent on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the Bonds (or portions thereof) called for redemption shall cease to accrue.

SECURITY AND REMEDIES

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. The Bonds are valid general obligations of the Town of Topsfield, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all property within the territorial limits of the Town and taxable by it 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 (\$9,046,000) 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 (\$3,734,000) and interest payments that the Town has not voted to exempt from that limit. Payment is not limited to a particular fund or revenue

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

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

The total amount of a tax levy is limited by statute. However, the voters in 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" herein). In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

The Town has voted to exclude the debt service on \$2,405,000 of currently outstanding bonds and \$9,046,000 par amount of the Bonds, from the limitations of Proposition 2½, subject to the provisions of Chapter 44, Section 20 of the General Laws.

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

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

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may 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” herein) and any other sums due and payable by the city or town to the Commonwealth, or certain other public entities, including any unpaid assessments for costs of any public transportation authority such as the Massachusetts Bay Transportation Authority (the “MBTA”) or a regional transit authority of which it is a member or for costs of the Massachusetts Water Resources Authority (the “MWRA”) if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority, or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water treatment services to the city or town.

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

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

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

OPINION OF BOND COUNSEL

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

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

TAX EXEMPTION

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

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 either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. 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 reasonably expected initial offering price or, if applicable, 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.

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

Risk of Future Legislative Changes and/or Court Decisions

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

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

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

RATING

S&P Global Ratings has assigned a rating of AAA to the Bonds. Such rating reflects only the view of the rating agency and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

CONTINUING DISCLOSURE

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

The Town believes that in the past five years it has complied, in all material respects, with its previous undertakings to provide financial information and notices of significant events in accordance with the Rule.

PART II

TOWN OF TOPSFIELD, MASSACHUSETTS

The Town of Topsfield, located in Essex County, was incorporated as a Town in 1650. 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 6,560 according to the most recent census and covers an area of approximately 13 square miles and includes 60 miles of roadways and 25 miles of sidewalks and bike paths. In addition to a local village shopping center, there are various small businesses located principally along Route 1; however, the Town remains primarily a residential community.

Located in the Town, the Topsfield Fair is known as America's Oldest County Fair started in 1820 by the Essex County Agricultural Society. The goal of the Society was to showcase agriculture in order to educate the public as well as to promote and improve the agricultural interests of farmers and others in Essex County. The fair draws between 450,000 and 500,000 people over its 10-day event period. It is home to a large midway, an arena with ongoing events throughout the year and is used for major events throughout the week of the fair, as well as many agricultural exhibitions. 2018 was the 200th anniversary of the Essex Agricultural Society.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

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

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

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

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

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

Cities are generally governed by a city council and an elected mayor who has the power to veto council actions; the council may override a mayoral veto by a two-thirds vote of the councilors. Some cities are governed by a city council and an appointed city manager who has no power to veto council actions; some municipalities, although still called "towns," have adopted a similar city form of government with a town council and town manager or administrator. Provision is often made for a referendum on council actions, and for initiation of measures, upon petition of a sufficient number of voters.

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

School affairs of cities and towns are administered by an elected school committee, except in those towns whose educational functions are carried out entirely through a regional school district.

GOVERNING BODIES AND OFFICERS

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

The following are the principal executive officers:

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Selectman	Lynne Bermudez	Elected	3 Years	2021
Selectman, Chairman	Boyd R. Jackson	Elected	3 Years	2021
Selectman, Clerk	Mark B. Lyons	Elected	3 Years	2019
Selectman	A. Richard Gandt	Elected	3 Years	2020
Selectman	John K. Spencer	Elected	3 Years	2020
Town Administrator	Kellie A. Hebert	Appointed	3 Years	2019
Treasurer/Collector	Barbara Michalowski	Appointed	3 Years	2019
Town Accountant	Catherine Gabriel	Appointed	3 Years	2019
Assessor	John W. Minnehan	Elected	3 Years	2020
Assessor	Robert E. Kantor	Elected	3 Years	2021
Assessor, Chairman	Lynn A. Conant	Elected	3 Years	2019
Principal Assessor	Toula Guarino	Appointed	NA	NA
Superintendent of Elementary Schools	Scott Morrison	Appointed	NA	NA
Superintendent of Masconomet	Dr. Kevin Lyons	Appointed	NA	NA
Superintendent of Water	Gregory Krom	Appointed	NA	NA
Superintendent of Highways	David M. Bond	Appointed	NA	NA
Town Clerk	M. Beth Willis	Appointed	NA	NA
Town Counsel	KP Law	Appointed	1 Year	2020

SERVICES

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

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

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

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

When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary 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.

DEBT LIMITS

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

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

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

TYPES OF OBLIGATIONS

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

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

over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the State Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts subject to such conditions and limitations (including 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 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.

The Town has no outstanding state qualified bonds.

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

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes.

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

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

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

DEBT (1)

The following shows the direct debt to be outstanding as of March 1, 2019, including the Bonds:

General Obligation Bonds: (2)

Within General Debt Limit		
Schools	\$ 277,000	
Other Buildings	1,715,000	
Streets, Sidewalks	80,000	
Departmental Equipment	1,158,000	
Design and Engineering	597,000	
The Bonds	<u>9,046,000</u>	
Total Within General Debt Limit		\$12,873,000
Outside General Debt Limit:		
Water	\$ 4,823,000	
School	500,000	
Other Outside General	165,000	
The Bonds	<u>3,734,000</u>	
Total Outside General Debt Limit		<u>9,222,000</u>
Total General Obligation Bonds (3)(4)		<u>\$22,095,000</u>
Temporary Loans in anticipation of:		
Revenue	\$ 0	
Bonds (5)	6,717,292	
Grants	<u>0</u>	
Total Temporary Loans		<u>6,717,292</u>
Total Direct Debt		<u>\$28,812,292</u>

- (1) *Principal amounts only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.*
- (2) *At the present time, the normal general debt limit is \$71,495,710 and the double general debt limit is \$142,991,420.*
- (3) **\$2,405,000 of par amount of outstanding bonds and \$9,046,000 par amount of the Bonds have been excluded from the provisions of Proposition 2½.**
- (4) *\$9,154,000 is self-supporting, including \$3,734,000 of the Bonds.*
- (5) *Does not include \$6,000,000 bond anticipation notes maturing March 8, 2019 and \$7,500,000 bond anticipation notes maturing May 10, 2019 that are being refunded with proceeds of the Bonds.*

AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCING

Following the delivery of the Bonds, the Town will have \$9,639,986 authorized unissued debt. Of this amount:

- \$2,261,680 is for the design, remodeling and construction of an addition to the town hall. The Town currently has \$2,261,680 bond anticipation notes outstanding for this purpose and expects to permanently finance this amount in November 2019. **Debt service for this purpose has been exempted from the limits of Proposition 2½.**
- \$4,151,757 is for the replacement of the Proctor and Steward Elementary School roofs. A total of \$7,651,757 was authorized for the projects and a portion is expected to be funded by grant payments from the Massachusetts School Building Authority (MSBA). The Town currently has \$1,759,063 bond anticipation notes outstanding for its share of project costs and expects to permanently finance this amount in November 2019. **Debt service for this purpose has been exempted from the limits of Proposition 2½.**
- \$1,726,549 is for the construction of a water treatment facility, partially funded by the Bonds. Following delivery of the Bonds, the Town will have \$1,726,549 bond anticipation notes outstanding which are expected to be permanently financed with bonds in November 2019 to complete the project. **Debt service for this purpose is expected to be paid from water revenues.**

\$1,500,000 is for the construction of water mains. The Town currently has \$970,000 bond anticipation notes outstanding and expects to permanently finance this amount in November 2019. The balance of the authorization is not expected to be issued and may be rescinded at a future date. **Debt service for this purpose is expected to be paid from water revenues.**

FIVE YEARS OUTSTANDING DEBT (1)

	As of June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Long-Term Indebtedness					
Within the General Debt Limit:					
Schools	\$ 339,200	\$ 185,000	\$ 215,000	\$ 245,000	\$ 275,000
Other Building	1,869,300	415,000	615,000	815,000	1,005,000
Streets Sidewalks & Parking	120,000	160,000	200,000	240,000	280,000
Departmental Equipment	1,227,000	0	0	0	85,000
Architectural & Engineering Services	<u>626,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Within the General Debt Limit	\$ 4,182,100	\$ 760,000	\$1,030,000	\$1,300,000	\$1,645,000
Outside the General Debt Limit:					
Schools	\$ 660,000	\$ 815,000	\$ 970,000	\$1,120,000	\$1,265,000
Other Outside General	245,000	325,000	405,000	480,000	555,000
Water	<u>1,470,900</u>	<u>610,000</u>	<u>680,000</u>	<u>755,000</u>	<u>830,000</u>
Total Outside the General Debt Limit	<u>2,375,900</u>	<u>1,750,000</u>	<u>2,055,000</u>	<u>2,355,000</u>	<u>2,650,000</u>
Total Long-Term Indebtedness	\$ 6,558,000	\$ 2,510,000	\$3,085,000	\$3,655,000	\$4,295,000
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	0	0
Bond Anticipation Notes	<u>23,717,292</u>	<u>11,177,000</u>	<u>3,316,000</u>	<u>2,236,897</u>	<u>0</u>
Total Short-Term Indebtedness	<u>23,717,292</u>	<u>11,177,000</u>	<u>3,316,000</u>	<u>2,236,897</u>	<u>\$ 0</u>
Total Outstanding Indebtedness	<u>\$30,275,292</u>	<u>\$13,687,000</u>	<u>\$6,401,000</u>	<u>\$5,891,897</u>	<u>\$4,295,000</u>

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

BONDED DEBT VS. POPULATION, VALUATIONS AND INCOME

	As of June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Amount (1)	\$6,558,000	\$2,510,000	\$3,085,000	\$3,655,000	\$4,295,000
Per Capita (2)	\$1,005	\$385	\$473	\$560	\$660
Percent of Assessed Valuation (3)	0.48%	0.19%	0.24%	0.30%	0.37%
Percent of Equalized Valuation (4)	0.49%	0.19%	0.25%	0.30%	0.36%
Per Capita as a percent of					
Personal Income (2) per capita	1.91%	0.73%	0.90%	1.06%	1.25%

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

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

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

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

ANNUAL DEBT SERVICE (1)(2)(3)

The following table presents debt service payable by the Town as of March 1, 2019:

Fiscal Year	Outstanding as of 03/01/19		Plus Current Issue(4)		Total Debt Service	Cumulative % Principal Retired(5)
	Principal	Interest	Principal	Interest		
2019	\$ 0	\$ 135,082	\$ 0	\$ 0	\$135,082	0.0%
2020	915,000	304,649	380,000	505,144	2,104,793	5.9
2021	805,000	275,724	390,000	486,144	1,956,868	11.3
2022	695,000	249,544	475,000	466,644	1,886,188	16.6
2023	480,000	225,619	495,000	442,894	1,643,513	21.0
2024	485,000	206,481	510,000	418,144	1,619,625	25.5
2025	480,000	189,094	525,000	392,644	1,586,738	30.0
2026	445,000	172,506	545,000	366,394	1,528,900	34.5
2027	385,000	155,819	565,000	339,144	1,444,963	38.8
2028	380,000	141,719	590,000	310,894	1,422,613	43.2
2029	380,000	128,569	600,000	281,394	1,389,963	47.6
2030	375,000	116,369	605,000	251,394	1,347,763	52.1
2031	380,000	105,044	610,000	227,194	1,322,238	56.6
2032	380,000	93,644	620,000	208,894	1,302,538	61.1
2033	380,000	82,138	625,000	190,294	1,277,432	65.6
2034	385,000	70,344	625,000	171,544	1,251,888	70.2
2035	390,000	58,187	625,000	152,794	1,225,981	74.8
2036	365,000	46,119	635,000	133,263	1,179,382	79.3
2037	325,000	34,822	640,000	113,419	1,113,241	83.7
2038	320,000	24,106	645,000	92,619	1,081,725	88.1
2039	245,000	14,594	475,000	71,656	806,250	91.3
2040	75,000	9,181	300,000	55,625	439,806	93.0
2041	80,000	6,663	310,000	45,500	442,163	94.8
2042	80,000	4,063	320,000	34,650	438,713	96.6
2043	85,000	1,381	330,000	23,450	439,831	98.5
2044	0	0	340,000	11,900	351,900	100.0%
	<u>\$ 9,315,000</u>	<u>\$ 2,851,457</u>	<u>\$ 12,780,000</u>	<u>\$ 5,793,631</u>	<u>\$ 30,740,092</u>	

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

(2) Principal totaling \$2,405,000 and interest totaling \$702,369 has been exempted from the provisions of Proposition 2 1/2. \$9,046,000 par amount of Bonds are exempt from Proposition 2 1/2.

(3) Principal totaling \$9,154,000 and interest totaling \$3,209,921, including the applicable portion of the Bonds, is self-supporting.

(4) The average coupon rate for this issue is 3.5976350%.

(5) Includes this Issue.

REVENUE ANTICIPATION NOTE BORROWING

The Town has not issued revenue anticipation notes in any of the last ten fiscal years.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town 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 will be expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town does not have an electric department.

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 is obligated under the following agreements:

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

OVERLAPPING DEBT (1)

The following table indicates the portion of overlapping debt relating to the Town:

	Outstanding 3/1/2019	Authorized Unissued 3/1/2019	Assessment for Operations & Debt Service FY 2019
Masconomet Regional School District(2)	\$ 7,715,000	\$ 0	\$7,579,412
Essex North Shore Agricultural and Technical School District(3)	29,035,000	3,764,548	256,915

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

(2) Source: Masconomet Regional School District. Debt is as of March 1, 2019. The operating expenses and debt service of the regional school district are apportioned among the member municipalities according to the District agreement among the members. The shares of the member municipalities vary from year to year according to pupil enrollment. The other District members are the Towns of Middleton and Boxford.

(3) Source: Essex North Shore Agricultural and Technical School District. Debt is as of March 1, 2019. The amount of authorized but unissued debt is not expected to be issued. Topsfield's apportioned share of operations and debt service for fiscal year 2019 is 1.5%. The North Shore Regional Vocational Technical High School merged with Essex Agricultural and Technical School in Danvers/Middleton to construct a new facility on the agricultural school site in Danvers, MA and commenced operations in the fall of 2014. The operating expenses and debt service of the regional school district are apportioned among the member municipalities according to the District agreement among the members. The shares of the member municipalities vary from year to year according to pupil enrollment. Of the over 1,300 students enrolled for the 2018-19 school year from 54 cities and towns, 11 students were from Topsfield.

CAPITAL IMPROVEMENTS PROGRAM

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

<u>Department</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Town Hall	\$ 164,500	\$ 70,500	\$ 53,500	\$ 58,500	\$ 43,500
Police	132,000	84,500	87,000	89,500	162,000
Fire	86,000	20,000	85,000	10,000	560,000
DPW - Highway(1)	150,000	35,000	100,000	45,000	100,000
Park & Cemetery	0	75,000	40,000	40,000	0
School	183,500	456,850	539,610	710,820	1,200,000
Water	540,000	115,000	400,000	1,550,000	1,035,000
<i>Totals:</i>	\$ 1,256,000	\$ 856,850	\$ 1,305,110	\$ 2,503,820	\$ 3,100,500

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

RETIREMENT PLAN

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

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

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

The Town participates in the Essex County Regional Retirement System (the “System”); the System has approved a retirement funding schedule which reduces the unfunded actuarial liability to zero as of 2036. The System is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report is available to the public at <https://www.mass.gov/files/documents/2018/10/01/essexval18.pdf> or may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923.

Plan members of the System are required to contribute at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

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.

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 Town has no such non-contributory system.

The following table presents the annual contributions of the Town to the System for the most recent fiscal years and the amount budgeted for fiscal year 2019:

<u>Fiscal Year</u>	<u>Contributory Amount</u>
2019 (budgeted)	\$ 1,140,341
2018 (unaudited)	1,076,261
2017	1,057,155
2016	964,456
2015	884,541
2014	796,025

The foregoing data does not include the retirement system costs or liabilities attributable to employees of the County or the retirement system costs or liabilities of any other entity of which the Town is a constituent part. The Actuarial Accrued Liability (AAL) of the Essex Regional Contributory Retirement System as of January 1, 2018 was estimated at \$843,829,627 using an investment rate of return of 7.50%, the Assets were \$450,330,846 and the Unfunded Actuarial Accrued Liability of the System was estimated at \$393,498,781. At June 30, 2018, the Town reported a liability of \$12,768,498 for its approximate 3.39% proportionate share of the net pension liability. The net pension was measured as of December 31, 2017 and the total pension liability used to calculate the Town’s reported liability was determined by an actuarial valuation as of January 1, 2018. The Essex Regional Retirement System Funding Schedule is provided below.

ESSEX REGIONAL RETIREMENT SYSTEM FUNDING SCHEDULE

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Net 3(8)(c) Payments	(4) Amortization of 2002 ERI Liability	(5) Amortization of 2003 ERI Liability	(6) Amortization of Remaining Liability	(7) Total Amortization of UAAL (4)+(5)+(6)	(8) Total Plan Cost: (2) + (3) + (7)	(9) Total UAL	(10) Increase Over Prior Year
2019	\$7,154,007	\$1,254,783	\$338,792	\$197,079	\$25,018,609	\$25,554,480	\$33,963,270	\$405,707,918	--
2020	7,380,888	1,254,783	8,943	197,437	27,637,897	27,844,277	36,479,948	406,771,705	7.41%
2021	7,614,882	1,254,783	9,345	8,679	30,295,423	30,313,447	39,183,112	406,159,456	7.41%
2022	7,856,214	1,254,783	9,765	9,069	32,956,750	32,975,584	42,086,581	397,847,954	7.41%
2023	8,105,108	1,254,783	10,205	9,477	35,383,715	35,403,397	44,763,288	385,337,020	6.36%
2024	8,361,801	1,254,783	10,664	9,904	37,353,599	37,374,167	46,990,751	376,178,644	4.98%
2025	8,626,535	1,254,783	11,144	10,349	38,847,743	38,869,236	48,750,554	364,214,813	3.74%
2026	8,899,560	1,254,783	11,646	10,815	40,401,653	40,424,114	50,578,457	349,746,495	3.75%
2027	9,181,131	1,254,783	12,170	11,302	42,017,719	42,041,191	52,477,105	332,521,560	3.75%
2028	9,471,516	1,254,783	12,717	11,810	43,698,428	43,722,955	54,449,254	312,266,397	3.76%
2029	9,770,987	1,254,783	0	0	45,446,365	45,446,365	56,472,135	288,684,200	3.72%
2030	10,079,827	1,254,783	0	0	47,264,220	47,264,220	58,598,830	261,480,672	3.77%
2031	10,398,325	1,254,783	0	0	49,154,788	49,154,788	60,807,896	230,282,687	3.77%
2032	10,726,781	1,254,783	0	0	51,120,980	51,120,980	63,102,544	194,712,491	3.77%
2033	11,065,504	1,254,783	0	0	53,165,819	53,165,819	65,486,106	154,360,874	3.78%
2034	11,414,812	1,254,783	0	0	55,292,452	55,292,452	67,962,047	108,784,684	3.78%
2035	11,775,034	1,254,783	0	0	57,504,150	57,504,150	70,533,967	57,504,150	3.78%
2036	12,146,506	1,254,783	0	0	0	0	13,401,289	0	-81.00%

OTHER POST-EMPLOYMENT BENEFITS

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

The Town adopted the requirements of GASB Statement 45 which required public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. The Town adopted GASB 74 and GASB 75 for the fiscal year ending June 30, 2018, which introduces a new actuarial cost method and discount rate as well as new disclosure and methodologies for reporting plan liability and OPEB expenses.

Using the services of an actuary, the Town has determined the Total OPEB Liability for other post-employment benefits for active and retired employees following the GASB Statements 74 and 75 (including health care and life insurance) as of July 1, 2017. The Total OPEB liability was \$14,629,703, less plan fiduciary net position of \$598,647, and the Net OPEB liability was \$14,031,056. Within this study, a discount rate of 4.75% was applied.

The pay-as-you-go cost to the Town for such benefits in recent years and the amount budgeted for fiscal 2019 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019 (budgeted)	\$ 600,000
2018	733,097
2017	598,647
2016	458,499
2015	342,853
2014	238,157

Although there is not a current requirement to fund this liability, a component of the study was a discussion of various funding strategies that move to reduce future benefit costs. The Town made an initial contribution of \$100,000 to the General Fund Liability Trust and \$30,000 to the Water Enterprise Liability Trust in fiscal year 2013 and an additional \$100,000 to the General Fund Liability Trust in fiscal years 2014 through 2018 and \$300,000 in 2019. The balance in the General Fund Liability Trust and the Water Enterprise Trust as of January 15, 2019 was \$945,375 and \$34,237 respectively.

PROPERTY TAXATION

Tax Rate and Valuation – General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 per cent of their share of the total valuation. A city or town may also exempt up to 20 per cent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years.

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

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

VALUATIONS

The following shows the assessed and equalized valuations for the current and most recent fiscal years(1):

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Real Property (2)	\$1,387,463,776	\$1,341,652,084	\$1,276,759,439	\$1,240,310,900	\$1,195,291,960
Personal Property (2)	<u>21,124,980</u>	<u>20,626,310</u>	<u>22,066,820</u>	<u>26,234,320</u>	<u>19,921,620</u>
Total	<u>\$1,408,588,756</u>	<u>\$1,362,278,394</u>	<u>\$1,298,826,259</u>	<u>\$1,266,545,220</u>	<u>\$1,215,213,580</u>
Equalized Value (3)	\$1,429,914,200	\$1,346,531,300	\$1,346,531,300	\$1,227,689,500	\$1,227,689,500
Percent of Total Assessed to Equalized Valuation	104.6%	101.2%	96.5%	103.2%	99.0%

(1) Revaluation years.

(2) As of January 1 of the prior fiscal year.

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

CLASSIFICATION OF PROPERTY (1)

The following table shows the breakdown of the total assessed valuation for fiscal years 2019, 2018 and 2017 by classification:

	For Fiscal Year					
<u>Type of Property</u>	<u>2019</u>	<u>% of Total</u>	<u>2018</u>	<u>% of Total</u>	<u>2017</u>	<u>% of Total</u>
Residential	\$1,301,752,738	92.4%	\$1,262,244,880	92.7%	\$1,200,984,331	92.5%
Open Space	0	0.0	0	0.0	0	0.0
Commercial	67,272,079	4.8	61,439,155	4.5	58,160,626	4.5
Industrial	18,438,959	1.3	17,968,049	1.3	17,614,482	1.4
Personal	<u>21,124,980</u>	<u>1.5</u>	<u>20,626,310</u>	<u>1.5</u>	<u>22,066,820</u>	<u>1.7</u>
Total	<u>\$1,408,588,756</u>	<u>100.0</u>	<u>\$1,362,278,394</u>	<u>100.0</u>	<u>\$1,298,826,259</u>	<u>100.0</u>

(1) Source: Massachusetts Department of Revenue.

TAX RATES

The following table shows the actual tax rates per \$1,000 of assessed valuation for the current and most recent fiscal years(1):

	For Fiscal Year				
<u>Type of Property</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Residential	\$17.00	\$17.08	\$16.93	\$16.52	\$16.45
Open Space	17.00	17.08	16.93	16.52	16.45
Commercial	17.00	17.08	16.93	16.52	16.45
Industrial	17.00	17.08	16.93	16.52	16.45
Personal	<u>17.00</u>	<u>17.08</u>	<u>16.93</u>	<u>16.52</u>	<u>16.45</u>
Average Tax Rate	<u>\$17.00</u>	<u>\$17.08</u>	<u>\$16.93</u>	<u>\$16.52</u>	<u>\$16.45</u>
Full Value Tax Rate (2)	\$17.78	\$17.28	\$16.33	\$17.04	\$16.28

(1) Source: Massachusetts Department of Revenue.

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

LARGEST TAXPAYERS

The following is a list of the ten largest taxpayers for fiscal 2019. All these taxpayers are current on payment of real estate and personal property taxes to the Town.

<u>Name</u>	<u>Nature of Business</u>	<u>2019 Assessed Valuation</u>	<u>% of Assessed Valuation</u>	<u>Amount of Tax</u>
Great Hill Co-Op Homeowners Inc	Cooperatives	\$32,231,000(1)	2.29%	\$547,927
Massachusetts Electric Co	Utility	8,835,540	0.63	150,204
Verizon New England	Utility	5,634,300	0.40	95,783
Williamson, Don E	Residential	5,441,900	0.39	92,512
Coughlin John & Priscilla Trs	Office	4,494,000	0.32	76,398
Essex Agricultural Society	Cultural	4,413,966	0.31	75,037
Coughlin John T Tr	Ind Condos	4,309,000	0.31	73,253
Tops Associates Limited Partns	Nursing Hm	4,172,200	0.30	70,927
Meredith Farm Llc	Agricultural/Farm	3,720,193	0.26	63,243
Ferncroft Holdings LLC	Golf Course	3,558,800	0.25	60,500
		<u>\$76,810,899</u>	<u>5.45%</u>	<u>\$1,305,785</u>

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

TAX LEVIES

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

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

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

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

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

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has

not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

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

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

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

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

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

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations.

The Town has voted to exclude the debt service on \$2,405,000 par amount of currently outstanding bonds and \$9,046,000 par amount of the Bonds, from the limitations of Proposition 2½, subject to the provisions of Chapter 44, Section 20 of the General Laws.

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 of 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.

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

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

CALCULATION OF TAX LEVIES AND LEVY LIMITS

The following table shows the calculation of the tax levies for the current and most recent fiscal years(1):

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Gross Amount to be Raised:					
Appropriations	\$30,566,602	\$30,422,318	\$27,771,823	\$27,088,609	\$25,563,101
Other Local Expenditures	10,985	10,770	11,144	11,311	13,838
State & County Charges	315,376	300,530	294,285	296,148	283,024
Overlay Reserve	<u>141,258</u>	<u>139,411</u>	<u>188,271</u>	<u>178,355</u>	<u>173,105</u>
Total Gross Amount to be Raised	\$31,034,221	\$30,873,029	\$28,265,523	\$27,574,423	\$26,033,068
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State	1,971,166	1,927,465	1,887,064	1,829,084	1,798,149
Estimated Receipts - Local	3,379,451	4,260,022	2,776,351	2,717,663	2,700,056
Available Funds Appropriated:					
Free Cash	663,250	731,504	581,560	754,944	798,719
Revenue Sharing	0	0	0	0	0
Other Available Funds	595,662	509,904	672,927	956,715	712,064
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>478,683</u>	<u>176,419</u>	<u>358,492</u>	<u>392,690</u>	<u>33,817</u>
Total Estimated Receipts & Revenue	<u>7,088,212</u>	<u>7,605,314</u>	<u>6,276,394</u>	<u>6,651,096</u>	<u>6,042,805</u>
Net Amount to be Raised (Tax Levy)	<u>\$23,946,009</u>	<u>\$23,267,715</u>	<u>\$21,989,129</u>	<u>\$20,923,327</u>	<u>\$19,990,263</u>

(1) Source: Massachusetts Department of Revenue.

The following shows the calculation of levy limits for the current and most recent fiscal years(1):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Primary Levy Limit (2)	\$35,214,719	\$34,056,960	\$32,470,656	\$31,663,630	\$30,380,340
Prior Fiscal Year Levy Limit	22,285,113	21,663,706	20,915,197	19,882,669	18,795,345
2.5% Levy Growth	557,128	541,593	522,880	497,067	469,884
New Growth (3)	75,041	79,814	85,629	342,461	417,940
Overrides	<u>0</u>	<u>0</u>	<u>140,000</u>	<u>193,000</u>	<u>199,500</u>
Growth Levy Limit	22,917,282	22,285,113	21,663,706	20,915,197	19,882,669
Debt Exclusions	1,226,179	885,509	791,002	777,721	803,531
Capital Expenditure Exclusions	0	500,000	0	0	0
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	\$24,143,461	\$23,670,622	\$22,454,708	\$21,692,918	\$20,686,200
Tax Levy	<u>23,946,009</u>	<u>23,267,715</u>	<u>21,989,129</u>	<u>20,923,327</u>	<u>19,990,263</u>
Unused Levy Capacity (4)	<u>\$ 197,452</u>	<u>\$ 402,907</u>	<u>\$ 465,579</u>	<u>\$ 769,591</u>	<u>\$ 695,937</u>
Unused Primary Levy Capacity (5)	<u>\$12,297,437</u>	<u>\$11,771,847</u>	<u>\$10,806,950</u>	<u>\$10,748,434</u>	<u>\$10,497,670</u>

(1) Source: Massachusetts Department of Revenue

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations certified by the Department of Revenue.

(4) Tax Levy Limit less the Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

TAX COLLECTIONS, TAXES OUTSTANDING AND ABATEMENTS

Payment Dates. The taxes for each fiscal year are due in four installments on August 1, November 1, February 1 (subject to deferral if tax bills are sent out late) and May 1. The Town has never deferred the payment date of its February tax bill.

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

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

The following shows the total tax levy, the reserve for abatements, the net levy and the amounts collected during each fiscal year and as of a more recent date:

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Tax Levy	\$23,946,009	\$23,649,153	\$21,989,129	\$20,923,327	\$19,990,263
Overlay Reserve for Abatements	<u>141,258</u>	<u>115,349</u>	<u>188,271</u>	<u>178,355</u>	<u>173,105</u>
Net Tax Levy(1)	<u>\$23,804,751</u>	<u>\$23,533,804</u>	<u>\$21,800,858</u>	<u>\$20,744,972</u>	<u>\$19,817,158</u>
Amount Collected					
During Fiscal Year Payable(2)	\$ N/A	\$23,402,150	\$21,786,768	\$20,667,859	\$19,762,200
Percent of Net Tax Levy	N/A	99.4%	99.9%	99.6%	99.7%
Amount Collected as of 1/15/19(2)	\$12,284,955	\$23,498,897	\$21,868,745	\$20,787,373	\$19,854,840
Percent of Net Tax Levy	51.6%	99.9%	100.3%	100.2%	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.

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Aggregate(1)	\$267,047	183,518	\$217,423	\$187,614	\$192,158
For Current Year(1)	210,738	134,571	177,971	156,700	157,242
Tax Titles	148,126	129,020	142,304	118,198	104,569
Tax Possessions	33,939	33,939	33,939	33,939	33,939

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

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

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

The following shows the abatements granted during the current and most recent fiscal years:

	For Fiscal Year				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Levy(1)	\$23,946,009	\$23,649,153	\$21,989,129	\$20,923,327	\$19,990,263
Overlay Reserve for Abatements(1)	141,258	115,349	188,271	178,355	173,105
Percent of Tax Levy	0.6%	0.9%	0.9%	0.9%	0.9%
Abatements Granted:					
During Fiscal Year of Levy	N/A	87,926	77,750	77,497	71,503
Through 1/15/2019	72,859	87,926	77,963	77,716	71,837

(1) Source: Massachusetts Department of Revenue.

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

Sales of Tax Receivables. Cities and town are authorized to sell delinquent property tax receivables by public sale or auction either individually or in bulk.

TOWN FINANCES

The annual appropriations of the Town are ordinarily made at the annual meeting, which takes place in May. Appropriations may also be voted at special meetings. The Finance Committee (also the Board of Selectmen) is required to submit reports and recommendations on proposed expenditures at the annual town meeting.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are 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 town meeting, but the school committee retains full power to allocate the funds appropriated.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State aid to be received 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. In fiscal 1994 through budgeted 2018, the Town's net school spending exceeded the minimum required local contribution.

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.

BUDGET COMPARISON

The following table sets forth the final budgets for fiscal years 2015 through 2019:

	<u>Appropriated Fiscal Year 2019</u>	<u>Appropriated Fiscal Year 2018</u>	<u>Appropriated Fiscal Year 2017</u>	<u>Appropriated Fiscal Year 2016</u>	<u>Appropriated Fiscal Year 2015</u>
General Government	\$ 1,485,270	\$ 1,426,424	\$ 1,256,977	\$ 1,219,221	\$ 1,128,773
Public Safety	2,613,676	2,489,201	2,456,239	2,344,822	2,119,289
Education	15,687,484	15,247,374	14,341,347	14,271,105	12,800,756
Public Works & Facilities	1,680,330	1,637,825	904,639	873,586	818,739
Human Services	263,776	255,286	654,199	642,742	625,243
Culture & Recreation	609,774	587,582	873,781	846,521	785,156
Debt Service	1,139,567	1,084,204	653,486	644,405	654,469
Pension/Insurance Retirement	3,934,577	3,962,622	3,750,934	3,425,062	3,260,183
Water Enterprise Fund	1,612,141	1,322,444	1,196,604	1,055,626	891,842
Solid Waste Enterprise Fund	27,550	38,700	38,700	38,700	36,700
Stabilization Fund	25,000	25,000	25,000	25,000	100,000
Capital Stabilization Fund	100,000	100,000	100,000	100,000	10,000
<i>Totals:</i>	<u>\$ 29,179,145</u>	<u>\$ 28,176,662</u>	<u>\$26,251,906</u>	<u>\$25,486,790</u>	<u>\$ 23,231,150</u>

WATER RATES, SERVICES AND OPERATIONS

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

Tier I	1,000 to 12,000	\$13.20 p/thousand gallons
Tier II	12,001 to 24,000	\$15.60 p/thousand gallons
Tier III	24,001 or greater	\$22.00 p/thousand gallons

The Town has authorized \$1,500,000 for water main projects and \$9,250,000 for the costs of constructing a water treatment facility. \$4,000,000 for water treatment is being financed with this issue of Bonds. Additionally, the Town issued \$3,500,000 bonds in October 2018 for the project. Final costs of the projects are expected to be issued as bonds in November 2019. The Town expects to raise water rates sufficient to cover the debt service costs of these projects.

The operating results of the water department for the last five fiscal years are set forth below:

	<u>Fiscal Year 2018(1)</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Operating Revenues	\$ 1,468,789	\$ 1,350,957	\$ 1,183,530	\$ 1,061,172	\$ 1,006,081
Operating Expenditures	<u>(1,172,181)</u>	<u>(1,084,430)</u>	<u>(900,519)</u>	<u>(833,216)</u>	<u>(895,675)</u>
Operating Income (Loss)	<u>\$ 296,608</u>	<u>\$ 266,527</u>	<u>\$ 283,011</u>	<u>\$ 227,956</u>	<u>\$ 110,406</u>

(1) Unaudited.

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 of Massachusetts provides financial assistance to cities and towns for current purposes. Payment of local aid to cities and towns is 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. Payments of state aid to cities and towns are based upon numerous separate 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 for the next fiscal year but the actual State aid payments may vary from the estimates.

The following table presents the actual receipts in each of the most recent fiscal years and the amount budgeted to be received in fiscal 2019.

<u>Fiscal Year</u>	<u>Total From State</u>
2019 (budgeted)	\$1,655,790
2018	1,626,935
2017	1,592,779
2016	1,513,212
2015	1,516,229
2014	1,444,454

STATE SCHOOL BUILDING ASSISTANCE PROGRAM

Under its school building assistance program, The Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds. Approved project costs included the interest expense incurred on debt issued by a municipality to finance the school project. In recent years, demand for school building assistance grants far exceeded available funds.

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

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

The maximum reimbursement rate for new project grant applications submitted to the Authority on or after July 1, 2007, is 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.

The Town has voted roof replacement projects for the Steward and Proctor Elementary Schools for which they are receiving funding assistance from the MSBA for approximately 41.4% of approved constructions costs.

MOTOR VEHICLE EXCISE

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

The following table presents the actual receipts in each of the most recent fiscal years and the amount budgeted to be received in fiscal year 2019:

<u>Fiscal Year</u>	<u>Amount(1)</u>
2019 (budgeted)	\$ 1,000,000
2018	1,172,610
2017	1,277,346
2016	1,135,971
2015	1,090,920
2014	1,023,723

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

OTHER TAXES

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

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

The aviation fuel tax is a five percent tax (with a minimum of five cents per gallon) on the sale or use of jet fuel to or by jet aircraft. The tax is paid by the seller/user of the fuel to the Commissioner of Revenue, who in turn rebates the tax to the municipality in which the fuel being taxed was transferred into an aircraft.

Of the three local option taxes, the Town has voted to impose the room occupancy tax at a rate of six percent. The Town has not collected any tax for this purpose as of this date.

COMMUNITY PRESERVATION ACT

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

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAXATION” herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

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

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

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

The Town has not adopted the provisions of the CPA.

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

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.

INVESTMENTS

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

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

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

UNASSIGNED GENERAL FUND BALANCE AND FREE CASH

Under Massachusetts law an amount known as "free cash" is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy. Subject to certain adjustments, free cash is surplus revenue less uncollected and overdue property taxes from prior years. The Town Accountant may certify as available for appropriation an adjusted free cash figure by adding back those uncollected and overdue property taxes which are subsequently collected between July 1 and the following March 31 of any year.

The following table sets forth the unassigned general fund balance and certified free cash for the most recent fiscal years:

	Unassigned General Fund	
<u>June 30,</u>	<u>Balance</u>	<u>Free Cash</u>
2018 (estimated)	\$4,644,490	\$2,564,754
2017	4,226,374	2,280,274
2016	3,693,552	1,611,613
2015	3,183,028	1,640,052
2014	3,346,125	1,897,624
2013	2,805,621	1,582,536

STABILIZATION FUNDS

The Town has maintained a stabilization fund for several years and under Massachusetts statutes, funds may be appropriated from the fund for any municipal purpose. The Town also established a capital stabilization fund in fiscal year 2016. The following is the balance in the accounts at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Stabilization Fund</u>	<u>Capital Stabilization Fund</u>
2018	\$1,227,330	\$ 328,373
2017	1,183,216	228,425
2016	1,147,549	121,614
2015	1,128,324	-
2014	1,015,388	-
2013	813,503	-

COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. The Town employs approximately 289 full and part-time employees of whom approximately 54% belong to unions or other collective bargaining groups.

The table below indicates the status of contracts between the Town and the various unions representing Town employees.

<u>Bargaining Unit</u>	<u>Department</u>	<u>Members</u>	<u>Contract Expires(1)</u>
AFSCME Council 93	Highway/Water & Parks/Cemetery	9	6/30/2020
Topsfield Teachers Association (Unit A)	Elementary Schools	75	8/31/2019
Topsfield Teachers Association (Unit B)	Elementary Schools	32	8/31/2021
Topsfield Police Benevolent Assn. (MassCops)	Police	10	6/30/2020
Police Reserve Association	Police	10	6/30/2018
Topsfield Call Firefighters Association	Fire	16	6/30/2020
Topsfield Firefighters IAFF Local #3250	Fire	4	6/30/2020
<i>Total:</i>		<u>156</u>	

(1) Expired contracts are currently under negotiation.

PRINCIPAL EMPLOYERS

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

<u>Company</u>	<u>Nature of Business</u>	<u>Apx. # of Employees</u>
Essex Agricultural Society (Topsfield Fair)	Topsfield Fair	250-499 (1)
Masconomet Health Care	Nursing Care Facility	175
Fairview Machine Co.	Machine Shop Parts	65
Harmony Health	Assisted living nursing homes	65
Harmony Health Care Intl	Retail	60
American Holdco Inc.	Retail	40
Carl Zeiss Meditec	Manufacturing - Medical	40
Essex County Co-op	Retail	30
Evans Industries	Manufacturing	30
Exclusive Homes Group	Real Estate	25
Hill Engineering Div	Manufacturing	25
Keller Williams Realty	Real Estate	25
Lawton Welding	Manufacturing	22

(1) Seasonal

EMPLOYMENT AND PAYROLLS

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Construction & Natural Resources	313	263	254	241	294
Manufacturing	171	177	169	165	164
Trade, Transportation & Utilities	268	294	282	286	245
Financial Activities	91	85	82	96	95
Professional & Business Services	366	379	374	361	325
Education & Health Services	805	1,183	1,208	1,198	1,132
Leisure & Hospitality	165	168	186	185	187
Information & Other Services	120	143	146	127	126
Public Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Employment	<u>2,565</u>	<u>2,786</u>	<u>2,808</u>	<u>2,764</u>	<u>2,669</u>
Number of Establishments	287	290	286	285	276
Total Annual Wage (000)	\$134,742	\$152,527	\$153,822	\$137,082	\$127,173
Average Weekly Wage	\$1,010	\$1,053	\$1,053	\$954	\$916

Source: Massachusetts Executive Office of Labor & Workforce Development.

BUILDING PERMITS

The following table presents the estimated value of the building permits issued for the past five calendar years.

<u>Calendar Year</u>	<u>Residential Estimated Value</u>	<u>Non-Residential Estimated Value</u>
2018	\$5,370,490(1)	\$ 765,000
2017	4,270,400(1)	13,221,784(2)
2016	738,000	-
2015	1,307,700	-
2014	1,475,500	100,000

(1) Includes the 30 home senior living condominium development Rolling Green.

(2) Includes the town hall remodeling and the water treatment facility projects.

PUBLIC SCHOOL FACILITIES

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

<u>Name</u>	<u>Grade</u>	<u>Date Built</u>	<u>Added to (Remodeled)</u>	<u>Capacity</u>	<u>Current Enrollment(1)</u>
Elementary:					
Steward	K-3	1962	1968/1987/1999	530	377
Proctor	4-6	1932	1952/55/74/87/99	700	268
Junior/Senior High:					
Masconomet Reg. School District	7-12	1967	1975/2003	2,400	482(2)
Totals:				<u>3,630</u>	<u>1,128</u>

(1) Enrollments as of October 1, 2018.

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

PUBLIC SCHOOL ENROLLMENTS

	<u>Actual(1)</u>						
	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Elementary	590	563	576	611	627	635	645
Junior/Senior(2)	624	586	537	521	501	494	483
Totals:	<u>1,214</u>	<u>1,149</u>	<u>1,113</u>	<u>1,132</u>	<u>1,128</u>	<u>1,129</u>	<u>1,128</u>

(1) As of October 1 each year.

(2) Topsfield students attending Masconomet Regional School District.

OTHER DATA

Employment (1)

<u>Calendar Year (2)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate %</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2018 (December)	3,656	3,590	1.8	2.8	2.7	3.7
2017	3,476	3,380	2.8	3.8	3.7	4.4
2016	3,417	3,324	2.7	4.0	3.9	4.9
2015	3,388	3,279	3.2	5.0	4.8	5.3
2014	3,380	3,240	4.1	6.0	5.7	6.2

(1) Source: Massachusetts Executive Office of Labor & Workforce Development.

(2) Full year averages except for 2018 which is for the month indicated.

Population (1)

<u>Year</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
2017 estimate	6,560	7.8%	785,205	5.7%	6,859,819	4.8%
2010	6,085	(0.9)	743,159	2.7	6,547,629	3.1
2000	6,141	6.7	723,419	8.0	6,349,097	5.5
1990	5,754	0.8	670,080	5.8	6,016,425	4.9
1980	5,709	0.0	633,632	0.0	5,737,037	0.0

(1) Source: U.S. Department of Commerce for actuals and estimates.

Population Density (1)

<u>Year</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2017 estimate	6,560	518.0	785,205	1,576.5	6,859,819	875.2
2010	6,085	480.5	743,159	1,492.1	6,547,629	835.4
2000	6,141	484.9	723,419	1,452.4	6,349,097	810.0
1990	5,754	454.3	670,080	1,345.4	6,016,425	767.6
1980	5,709	450.8	633,632	1,272.2	5,737,037	732.0

(1) Source: U.S. Department of Commerce for actuals and estimates. Based on 12.7 square miles.

Population Composition By Age (1)

<u>Age</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>
Under 5 Years	268	4.1	43,794	5.6	362,855	5.3
5 Years to 19 Years	1,422	21.9	146,198	18.8	1,229,762	18.1
20 Years to 64 Years	3,307	50.9	462,176	59.6	4,146,951	61.1
65 Years and Over	1,499	23.1	123,692	15.9	1,049,751	15.5
Total	6,496	100.0	775,860	100.0	6,789,319	100.0
Median Age	46.3		40.8		39.4	
Median Age (2000)	41.0		37.5		36.5	

(1) Source: U.S. Department of Commerce 2017 5-year estimates.

Per Capita Income Levels (1)

	Topsfield		Essex County		Massachusetts	
<u>Year</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2017 5-year estimates	\$54,091	43.2	\$38,604	46.5	\$39,913	53.5
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 (2016 5-year estimates)	1.4		10.9		11.1	

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

Family Income Distribution (1)

	Topsfield		Essex County		Massachusetts	
<u>Income for Families</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	0	0.0	7,017	3.6	56,902	3.5
10,000 - 24,999	50	2.7	14,204	7.3	118,641	7.2
25,000 - 49,999	112	46.0	29,724	15.2	241,405	14.7
50,000 - 74,999	191	10.3	28,527	14.6	236,935	14.4
75,000 - 99,999	203	11.0	26,771	13.7	218,799	13.3
100,000 - 149,999	341	18.4	38,669	19.8	344,327	20.9
150,000 or more	956	51.6	50,310	25.8	430,610	26.1
Total	<u>1,853</u>	<u>100.0</u>	<u>195,222</u>	<u>100.0</u>	<u>1,647,619</u>	<u>100.0</u>
Median Income	\$155,820		\$92,091		\$94,110	

(1) Source: U.S. Department of Commerce 2017 5-year estimates.

Household Income Distribution (1)

	Topsfield		Essex County		Massachusetts	
<u>Income for Households</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	10	0.4	16,251	5.6	148,170	5.7
10,000 - 24,999	182	8.1	36,591	12.5	324,816	12.6
25,000 - 49,999	144	6.4	50,613	17.4	442,384	17.1
50,000 - 74,999	270	12.1	45,145	15.5	390,219	15.1
75,000 - 99,999	241	10.8	37,382	12.8	317,494	12.3
100,000 - 149,999	403	18.0	48,677	16.7	451,683	17.5
150,000 or more	987	44.1	57,000	19.5	510,949	19.8
Total	<u>2,237</u>	<u>100.0</u>	<u>291,659</u>	<u>100.0</u>	<u>2,585,715</u>	<u>100.0</u>
Median Income	\$131,387		\$73,533		\$74,167	

(1) Source: U.S. Department of Commerce 2017 5-year estimates.

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

<u>Units</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	53	2.5	5,877	3.2	63,524	3.9
100,000 - 199,999	50	2.4	14,523	7.8	205,591	12.8
200,000 - 299,999	0	0.0	37,217	20.0	354,531	22.0
300,000 - 499,999	683	32.2	77,106	41.5	572,911	35.5
500,000 - 999,999	1,263	59.6	44,857	24.1	340,606	21.1
1,000,000 or more	71	3.3	6,427	3.5	75,166	4.7
Total	<u>2,120</u>	<u>100.0</u>	<u>186,007</u>	<u>100.0</u>	<u>1,612,329</u>	<u>100.0</u>
Median Value	\$566,700		\$373,400		\$352,600	

(1) Source: U.S. Department of Commerce 2017 5-yr estimates.

Age Distribution Of Housing Units (1)

<u>Year Built</u>	<u>Topsfield</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
2000 or later	255	11.2	25,212	8.1	266,492	9.3
1980 to 1999	311	13.7	56,110	18.0	530,038	18.5
1940 to 1979	1,412	62.2	110,237	35.4	1,113,226	38.9
1939 or Earlier	293	12.9	119,620	38.4	955,233	33.3
Total	<u>2,271</u>	<u>100.0</u>	<u>311,179</u>	<u>100.0</u>	<u>2,864,989</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce 2017 5-yr estimates.

Housing Unit Inventory (1)

<u>Units in Structure</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>
1, Detached	1,931	85.0	157,883	50.7	1,496,092	52.2
1, Attached	130	5.7	20,244	6.5	151,949	5.3
2 to 4	169	7.4	68,526	22.0	596,427	20.8
5 to 9	27	1.2	16,673	5.4	166,765	5.8
10 to 19	14	0.6	13,523	4.3	122,890	4.3
20 or More	0	0.0	32,028	10.3	306,265	10.7
Mobile Home, Trailer, Other	0	0.0	2,302	0.7	24,601	0.9
Total	<u>2,271</u>	<u>100.0</u>	<u>311,179</u>	<u>100.0</u>	<u>2,864,989</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce 2017 5-yr estimates.

Educational Attainment (1)

<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	36	0.8	30,081	5.6	216,649	4.6
9th to 12th Grade, No Diploma	85	1.9	26,635	5.0	241,431	5.1
High School Graduate	703	15.5	135,573	25.4	1,162,683	24.7
Some College, No Degree	800	17.6	90,217	16.9	741,582	15.8
Associate's Degree	259	5.7	44,397	8.3	363,330	7.7
Bachelor's Degree	1,372	30.2	124,302	23.3	1,101,605	23.4
Graduate or Professional Degree	<u>1,294</u>	<u>28.4</u>	<u>83,083</u>	<u>15.6</u>	<u>879,256</u>	<u>18.7</u>
Total	<u>4,546</u>	<u>100.0</u>	<u>534,288</u>	<u>100.0</u>	<u>4,706,536</u>	<u>100.0</u>
High School Graduate or Higher	4,428	97.3	477,572	89.4	4,248,456	90.3
Bachelor's Degree or Higher	2,666	58.6	207,385	38.8	1,980,861	42.1

(1) Source: U.S. Department of Commerce 2017 5-year estimates

LITIGATION

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

TOWN OF TOPSFIELD
Massachusetts

By: /s/ Barbara Michalowski
Treasurer / Collector

Dated: February 7, 2019

APPENDIX A

The following Balance Sheets for fiscal years ending June 30, 2014 through 2018, and the Comparative Statements of Revenues and Expenditures for fiscal years ending June 30, 2014 through 2018, have been excerpted from the audited financial statements of the Town for those years.

The audited financial statements for the Town for the year ended June 30, 2018, are presented in Appendix B.

TOWN OF TOPSFIELD, MASSACHUSETTS
GENERAL FUND BALANCE SHEET (1)
YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:					
Cash/Investments	\$ 7,137,090	\$ 6,199,334	\$ 5,689,348	\$ 5,641,694	\$ 5,314,108
Petty Cash	541	575	625	-	-
Receivables:					
Property Taxes	207,890	183,519	217,423	187,614	296,727
Tax Liens	157,287	130,314	142,304	118,198	-
Excises	72,083	70,631	120,819	54,957	-
Intergovernmental	-	-	-	14,558	37,274
Other	-	-	-	7,888	70,830
Tax Foreclosures	33,939	33,939	33,939	33,939	33,939
Total Assets	<u>\$ 7,608,830</u>	<u>\$ 6,618,312</u>	<u>\$ 6,204,458</u>	<u>\$ 6,058,848</u>	<u>\$ 5,752,878</u>
Liabilities:					
Warrants Payable	\$ 244,229	\$ 550,413	\$ 254,552	\$ 151,213	\$ 147,925
Accrued Payroll Payable	191,774	152,875	72,345	253,922	379,797
Employee's Withholding Payable	194,164	29,229	137,301	116,858	-
Unclaimed Checks	5,489	5,489	5,489	4,382	-
Intergovernmental	3,544	2,625	-	-	-
Other Liabilities	-	5,982	-	1,838	4,382
Deferred Revenues	-	-	-	-	16,052
Deferred Revenue:					
Deferred revenues (deferred inflows) total	398,845	379,945	399,754	363,302	335,686
Intergovernmental	-	-	3,569	-	-
Total Liabilities	<u>1,038,045</u>	<u>1,126,558</u>	<u>873,010</u>	<u>891,515</u>	<u>883,842</u>
Fund Balances(1):					
Committed	1,383,648	931,151	1,110,590	1,315,823	424,567
Assigned	542,647	334,229	527,312	668,482	1,098,344
Unassigned	4,644,490	4,226,374	3,693,552	3,183,028	3,346,125
Total Fund Balances:	<u>6,570,785</u>	<u>5,491,754</u>	<u>5,331,454</u>	<u>5,167,333</u>	<u>4,869,036</u>
Total Liabilities and Fund Equity	<u>\$ 7,608,830</u>	<u>\$ 6,618,312</u>	<u>\$ 6,204,464</u>	<u>\$ 6,058,848</u>	<u>\$ 5,752,878</u>

(1) Extracted from audited financial statements.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:					
Property Taxes	\$ 23,506,782	\$ 21,826,245	\$ 20,851,794	\$ 19,860,443	\$ 18,703,184
Tax Liens	29,974	73,126	33,940	38,149	-
Excises	1,198,197	1,277,346	1,135,971	1,090,920	1,023,723
Penalties and Interest	30,132	41,276	29,180	37,826	40,261
Licenses and Permits	324,606	240,545	255,951	226,750	367,799
Intergovernmental	3,733,816	3,551,492	3,075,276	2,560,727	2,858,180
Charges for Services	275,199	255,830	239,761	269,481	-
Fines and Forfeits	41,850	49,215	53,468	57,472	68,080
Earnings on Investments	116,506	45,545	99,414	17,704	15,307
In Lieu of Taxes	78,526	76,581	57,724	57,481	-
Miscellaneous	37,539	115,066	32,035	27,878	241,381
Total Revenues	<u>29,373,127</u>	<u>27,552,267</u>	<u>25,864,514</u>	<u>24,244,831</u>	<u>23,317,915</u>
Expenditures:					
General Government	1,482,434	1,427,305	1,327,692	1,198,187	1,326,303
Public Safety	2,560,662	2,494,013	2,365,713	2,356,222	2,131,896
Education	17,231,906	16,500,897	15,733,396	13,265,561	12,647,438
Highways and Public Works	1,808,077	1,825,507	1,575,477	1,000,691	969,026
Human Services	250,074	224,336	250,510	617,094	636,696
Culture and Recreation	579,368	569,002	557,717	1,667,769	752,645
Intergovernmental	300,530	296,783	288,645	301,348	300,256
Employee Benefits	3,478,746	3,533,032	3,202,176	3,165,993	3,656,242
Debt Service	749,278	570,076	-	-	-
Principal	-	-	486,000	550,000	551,000
Interest	-	-	77,200	103,469	117,209
Total Expenditures	<u>28,441,075</u>	<u>27,440,951</u>	<u>25,864,526</u>	<u>24,226,334</u>	<u>23,088,711</u>
Excess of Revenues Over (Under)					
Expenditures	<u>932,052</u>	<u>111,316</u>	<u>(12)</u>	<u>18,497</u>	<u>229,204</u>
Other Financing Sources (Uses):					
Operating Transfers In	393,088	201,356	235,133	283,720	273,846
Operating Transfers (Out)	(246,109)	(152,372)	(71,000)	(3,920)	-
Proceeds from capital leases	-	-	-	-	-
Total Other Financing Sources	<u>146,979</u>	<u>48,984</u>	<u>164,133</u>	<u>279,800</u>	<u>273,846</u>
Excess of Revenues And Other					
Sources Over (Under)Expenditures					
and Other Uses	1,079,031	160,300	164,121	298,297	503,050
Fund Balance (Deficit), Beginning of Year	<u>5,491,754</u>	<u>5,331,454</u>	<u>5,167,333</u>	<u>4,869,036</u>	<u>4,365,986</u>
Prior Period Adjustment	-	-	-	-	-
Fund Balance (Deficit), End of Year	<u>\$ 6,570,785</u>	<u>\$ 5,491,754</u>	<u>\$ 5,331,454</u>	<u>\$ 5,167,333</u>	<u>\$ 4,869,036</u>

(1) Extracted from audited financial statements.

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APPENDIX B

There follows in this Appendix the audited financials statements of the Town of Topsfield, Massachusetts, as of June 30, 2018, prepared by Guisti, Hingston and Company, Georgetown, Massachusetts, Certified Public Accountant.

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

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TOWN OF TOPSFIELD, MASSACHUSETTS

Financial Statements

June 30, 2018

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountants

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

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Town of Topsfield, Massachusetts
FINANCIAL STATEMENTS
For the Year Ended June 30, 2018
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsfield, Massachusetts as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Topsfield, Massachusetts as of June 30, 2018 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Town of Topsfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Topsfield's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
February 6, 2019

**Town of Topsfield, Massachusetts
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2018**

As management of the Town of Topsfield, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Topsfield, Massachusetts for the fiscal year ended June 30, 2018.

Financial Highlights

The Town's assets and deferred outflows exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,819,584 (net position). The unrestricted net position of the Town's governmental activities is a deficit of (\$20,302,164). The deficit in the governmental activities is, primarily, due to reporting the Town's other post employment benefits liability and the net pension liability. The unrestricted net position of business-type activities is \$585,680 and may be used to meet the ongoing obligations of the Town's Business-type activities.

The total revenue for fiscal year 2018 was \$32,724,399 from governmental activities, and \$1,580,084 from Business-type activities.

The total cost of all Town services for fiscal year 2018 was \$32,307,072, of which \$31,272,471 was for governmental services, and \$1,034,601 of which was for Business-type activities.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,644,490 or 16% of total general fund expenditures.

In fiscal year 2018, the Town implemented Governmental Accounting Standards Board Statement # 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The new standard requires reporting the entire Total OPEB Liability. Previous standards required reporting the liability over a thirty year "phase in" period. The resulting calculation was reported as the Net OPEB **Obligation**. Implementing the new standard required a prior period adjustment that reduced the Town's net position by \$299,651.

The Town of Topsfield, Massachusetts issued \$4,633,000 in long term debt during fiscal year 2018. \$585,000 Principal payments were made during the year on previously issued enterprise and general long term debt. As a result, the Town's total long term debt increased by \$4,048,000 or 161% during the year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds to account for activities related to charitable and scholarship trust funds and for its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Topsfield, Massachusetts' progress in funding its obligation to provide pension and other post employment benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

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

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

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

Financial Analysis of the Government-wide Financial Statements

Net Position

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 28,198,069	\$ 25,029,194	\$ 8,650,458	\$ 2,435,788	\$ 36,848,527	\$ 27,464,982
Capital Assets	30,330,238	23,642,745	12,358,494	7,851,129	42,688,732	31,493,874
Total Assets	<u>58,528,307</u>	<u>48,671,939</u>	<u>21,008,952</u>	<u>10,286,917</u>	<u>79,537,259</u>	<u>58,958,856</u>
Deferred Outflows of Resources	<u>1,210,702</u>	<u>1,398,982</u>	<u>68,330</u>	<u>81,988</u>	<u>1,279,032</u>	<u>1,480,970</u>
Other Liabilities	15,731,144	10,794,967	10,866,437	1,970,181	26,597,581	12,765,148
Long Term Liabilities	30,810,439	29,066,616	2,846,337	1,516,776	33,656,776	30,583,392
Total Liabilities	<u>46,541,583</u>	<u>39,861,583</u>	<u>13,712,774</u>	<u>3,486,957</u>	<u>60,254,357</u>	<u>43,348,540</u>
Deferred Inflows of Resources	<u>1,692,405</u>	<u>276,171</u>	<u>70,655</u>	<u>13,652</u>	<u>1,763,060</u>	<u>289,823</u>
Net Position:						
Net Investment in Capital Assets	19,706,457	19,224,146	6,708,173	5,495,786	26,414,630	24,719,932
Restricted	12,100,728	11,426,462	-	-	12,100,728	11,426,462
Unrestricted	(20,302,164)	(20,717,441)	585,680	1,372,510	(19,716,484)	(19,344,931)
Total Net Position	<u>\$ 11,505,021</u>	<u>\$ 9,933,167</u>	<u>\$ 7,293,853</u>	<u>\$ 6,868,296</u>	<u>\$ 18,798,874</u>	<u>\$ 16,801,463</u>

The net position of the Town increased by \$1,997,411. The net position of the governmental activities increased by \$1,571,854 or 15.4% and the net position of the business-type activities increased by \$425,557 or around 6.2%.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position have changed during the fiscal year. The prior year amounts were adjusted to reflect the prior period adjustment.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 1,285,404	\$ 1,165,234	\$ 1,580,084	\$ 1,350,957	\$ 2,865,488	\$ 2,516,191
Operating Grants and Contributions	5,064,380	4,696,301	-	-	5,064,380	4,696,301
Capital Grants and Contributions	201,624	41,913	-	-	201,624	41,913
General Revenues:						
Property Taxes	23,565,659	21,835,476	-	-	23,565,659	21,835,476
Motor Vehicle and Other Excises	1,174,062	1,306,058	-	-	1,174,062	1,306,058
Intergovernmental Not Restricted to a Specific Program	736,836	713,953	-	-	736,836	713,953
Other	696,434	253,004	-	-	696,434	253,004
Total Revenues	<u>32,724,399</u>	<u>30,011,939</u>	<u>1,580,084</u>	<u>1,350,957</u>	<u>34,304,483</u>	<u>31,362,896</u>
Expenses						
General Government	1,830,220	1,895,108	-	-	1,830,220	1,895,108
Public Safety	2,753,327	2,669,491	-	-	2,753,327	2,669,491
Education	18,533,776	17,820,789	-	-	18,533,776	17,820,789
Highways and Public Works	2,330,143	2,126,155	-	-	2,330,143	2,126,155
Human Services	284,701	275,349	-	-	284,701	275,349
Culture and Recreation	886,486	862,964	-	-	886,486	862,964
Debt Service	364,959	72,290	-	-	364,959	72,290
Employee Benefits	4,288,859	5,129,904	-	-	4,288,859	5,129,904
Water	-	-	1,034,601	1,118,399	1,034,601	1,118,399
Total Expenses	<u>31,272,471</u>	<u>30,852,050</u>	<u>1,034,601</u>	<u>1,118,399</u>	<u>32,307,072</u>	<u>31,970,449</u>
Increase (Decrease) in Net Position Before Transfers	1,451,928	(840,111)	545,483	232,558	1,997,411	(607,553)
Transfers	119,926	113,047	(119,926)	(113,047)	-	-
Increase (Decrease) in Net Position	<u>\$ 1,571,854</u>	<u>\$ (727,064)</u>	<u>\$ 425,557</u>	<u>\$ 119,511</u>	<u>\$ 1,997,411</u>	<u>\$ (607,553)</u>

Governmental Activities

In fiscal year 2018, property taxes accounted for approximately 72% of the revenues. In fiscal year 2017, property taxes accounted for 73% of the revenues

Business-type Activities

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

Financial Analysis of the Town's Funds

Governmental Funds

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

Topsfield, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Topsfield, Massachusetts' Selectmen.

General Fund – The year end fund balances of the general fund were \$1,079,031 more than the prior year's fund balances.

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

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

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

<u>Fiscal Year</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2011	\$ -	\$ 200,139	\$ 749,173	\$ 2,342,955	\$ 3,292,267
2012	-	386,633	970,818	2,954,345	4,311,796
2013	-	284,905	1,375,612	2,805,621	4,466,138
2014	-	424,567	1,098,344	3,346,125	4,869,036
2015	-	1,315,823	668,482	3,183,028	5,167,333
2016	-	1,110,590	527,312	3,693,552	5,331,454
2017	-	931,151	334,229	4,226,374	5,491,754
2018	-	1,383,648	542,647	4,644,490	6,570,785

<u>Fiscal Year</u>	<u>Free Cash</u>
2009	\$1,188,197
2010	1,217,661
2011	1,220,632
2012	1,701,286
2013	1,582,536
2014	1,897,634
2015	1,640,052
2016	1,611,613
2017	2,280,274
2018	2,564,754

Proprietary Funds

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

Total net position of the proprietary funds at the end of the year amounted to \$7,293,853.

General Fund Budgetary Highlights

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

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

Capital Asset and Debt Administration

Capital assets – The Town of Topsfield, Massachusetts’ investments in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$42,688,732 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 5,196,767	\$ 5,196,767	\$ 323,038	\$ 323,038	\$ 5,519,805	\$ 5,519,805
Intangible - Conservation Restriction	494,810	-	-	-	494,810	-
Construction in Progress	8,301,665	1,428,409	5,531,007	750,578	13,832,672	2,178,987
Buildings	8,418,576	8,835,805	85,350	88,963	8,503,926	8,924,768
Improvements Other Than Buildings	63,845	69,925	5,500	6,500	69,345	76,425
Infrastructure	5,140,381	5,297,537	6,350,101	6,597,679	11,490,482	11,895,216
Equipment	551,112	635,919	14,817	16,217	565,929	652,136
Vehicles	2,163,082	2,178,383	48,681	68,154	2,211,763	2,246,537
Total	<u>\$ 30,330,238</u>	<u>\$ 23,642,745</u>	<u>\$ 12,358,494</u>	<u>\$ 7,851,129</u>	<u>\$ 42,688,732</u>	<u>\$ 31,493,874</u>

Debt

The Town had \$6,558,000 in bonds outstanding on June 30, 2018. This represents a \$4,048,000 increase.

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Governmental Activities			
General Obligation Bonds Payable	<u>\$ 4,440,500</u>	<u>\$ 1,870,500</u>	<u>\$ 2,570,000</u>
Business-type Activities			
Water	<u>2,117,500</u>	<u>639,500</u>	<u>1,478,000</u>
Total Debt	<u>\$ 6,558,000</u>	<u>\$ 2,510,000</u>	<u>\$ 4,048,000</u>

Fiscal Year 2019 Budget

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

The Town utilized \$1,141,933 of general fund reserves to fund the fiscal year 2019 budget.

Request for Information

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

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

Town of Topsfield, Massachusetts
Statement of Net Position
June 30, 2018

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government - Wide <u>Total</u>
Assets			
Current:			
Cash/Investments	\$ 27,028,454	\$ 8,211,793	\$ 35,240,247
Petty Cash	541	-	541
Receivables:			
Property Taxes	207,890	-	207,890
Tax Liens	157,287	-	157,287
Excises	72,083	-	72,083
User Charges	-	437,309	437,309
Other	70,163	-	70,163
Intergovernmental	661,651	-	661,651
Liens	-	1,356	1,356
Noncurrent:			
Capital Assets:			
Assets Not Being Depreciated	13,993,242	5,854,045	19,847,287
Assets Being Depreciated, Net	16,336,996	6,504,449	22,841,445
Total Assets	<u>58,528,307</u>	<u>21,008,952</u>	<u>79,537,259</u>
Deferred Outflows of Resources			
Pension	1,202,058	68,330	1,270,388
Debt Refunding	8,644	-	8,644
Total Deferred Outflows of Resources	<u>1,210,702</u>	<u>68,330</u>	<u>1,279,032</u>
Liabilities			
Current:			
Warrants Payable	1,106,742	481,069	1,587,811
Accrued Salaries Payable	193,860	8,474	202,334
Employees' Withholding Payable	194,164	-	194,164
Intergovernmental	3,544	-	3,544
Unclaimed Checks	5,489	-	5,489
Landfill Closure Costs Payable	38,700	-	38,700
Other	3,560	-	3,560
Bond Anticipation Notes Payable	13,520,743	10,196,549	23,717,292
Accrued Interest	33,965	19,099	53,064
Bonds Payable	555,500	159,600	715,100
Compensated Absences	74,877	1,646	76,523
Noncurrent:			
Bonds Payable	3,885,000	1,957,900	5,842,900
Compensated Absences	299,510	6,584	306,094
Landfill Closure Costs Payable	708,228	-	708,228
Net Pension Liability	12,081,719	686,779	12,768,498
Other Post Employment Benefit Liability	13,835,982	195,074	14,031,056
Total Liabilities	<u>46,541,583</u>	<u>13,712,774</u>	<u>60,254,357</u>
Deferred Inflows of Resources			
Pension	1,082,687	61,545	1,144,232
Other Post Employment Benefit Obligations	550,561	9,110	559,671
Unavailable Revenues	59,157	-	59,157
Total Deferred Inflows of Resources	<u>1,692,405</u>	<u>70,655</u>	<u>1,763,060</u>
Net Position			
Net Investment in Capital Assets	19,706,457	6,708,173	26,414,630
Restricted for:			
Gifts, Grants and Other Statutory Restrictions	1,603,929	-	1,603,929
Perpetual Funds:			
Expendable	1,049,840	-	1,049,840
Nonexpendable	9,446,959	-	9,446,959
Unrestricted	(20,302,164)	585,680	(19,716,484)
Total Net Position	<u>\$ 11,505,021</u>	<u>\$ 7,293,853</u>	<u>\$ 18,798,874</u>

Town of Topsfield, Massachusetts

Statement of Activities

Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs	Expenses						
Governmental Activities:							
General Government	\$ 1,830,220	\$ 98,557	\$ 515,401	\$ -	\$ (1,216,262)	\$ -	\$ (1,216,262)
Public Safety	2,753,327	506,109	30,428	-	(2,216,790)	-	(2,216,790)
Education	18,533,776	542,709	3,399,618	-	(14,591,449)	-	(14,591,449)
Highways and Public Works	2,330,143	49,264	254,263	201,624	(1,824,992)	-	(1,824,992)
Human Services	284,701	78,432	49,532	-	(156,737)	-	(156,737)
Culture and Recreation	886,486	10,333	815,138	-	(61,015)	-	(61,015)
Debt Service	364,959	-	-	-	(364,959)	-	(364,959)
Employee Benefits	4,288,859	-	-	-	(4,288,859)	-	(4,288,859)
Total Governmental Activities	31,272,471	1,285,404	5,064,380	201,624	(24,721,063)	-	(24,721,063)
Business-Type Activities:							
Water	1,034,601	1,580,084	-	-	-	545,483	545,483
Total Business-Type Activities	1,034,601	1,580,084	-	-	-	545,483	545,483
Total	\$ 32,307,072	\$ 2,865,488	\$ 5,064,380	\$ 201,624	(24,721,063)	545,483	(24,175,580)
General Revenues:							
					23,565,659	-	23,565,659
					1,174,062	-	1,174,062
					30,132	-	30,132
					78,526	-	78,526
					736,836	-	736,836
					116,506	-	116,506
					454,680	-	454,680
					16,590	-	16,590
					119,926	(119,926)	-
Total General Revenues					26,292,917	(119,926)	26,172,991
Change in Net Position					1,571,854	425,557	1,997,411
Net Position:							
					10,201,499	6,899,615	17,101,114
					(268,332)	(31,319)	(299,651)
					9,933,167	6,868,296	16,801,463
					\$ 11,505,021	\$ 7,293,853	\$ 18,798,874

Town of Topsfield, Massachusetts
Governmental Funds
Balance Sheet
June 30, 2018

	<u>General</u>	<u>Gould Trust</u>	<u>Town Hall and School Roof Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash/Investments	\$ 7,137,090	\$ 9,267,825	\$ 8,173,238	\$ 2,450,301	\$ 27,028,454
Petty Cash	541	-	-	-	541
Receivables:					
Property Taxes	207,890	-	-	-	207,890
Tax Liens	157,287	-	-	-	157,287
Excises	72,083	-	-	-	72,083
Other	-	-	-	70,163	70,163
Intergovernmental	-	-	-	661,651	661,651
Tax Foreclosures	33,939	-	-	-	33,939
Total Assets	\$ 7,608,830	\$ 9,267,825	\$ 8,173,238	\$ 3,182,115	\$ 28,232,008
Liabilities:					
Warrants Payable	\$ 244,229	\$ 4,767	\$ 835,776	\$ 21,970	\$ 1,106,742
Accrued Salaries Payable	191,774	-	-	2,086	193,860
Employees' Withholding Payable	194,164	-	-	-	194,164
Intergovernmental	3,544	-	-	-	3,544
Unclaimed Checks	5,489	-	-	-	5,489
Other	-	-	-	3,560	3,560
Bonds Anticipation Notes Payable	-	-	13,520,743	-	13,520,743
Total Liabilities	639,200	4,767	-	27,616	15,028,102
Deferred Inflows of Resources:					
Unavailable Revenues	398,845	-	-	277,796	676,641
Total Deferred Inflows of Resources	398,845	-	-	277,796	676,641
Fund Equity:					
Fund Balances:					
Nonspendable	-	8,654,402	-	792,557	9,446,959
Restricted	-	608,656	-	1,778,304	2,386,960
Committed	1,383,648	-	-	305,842	1,689,490
Assigned	542,647	-	-	-	542,647
Unassigned	4,644,490	-	(6,183,281)	-	(1,538,791)
Total Fund Balances	6,570,785	9,263,058	(6,183,281)	2,876,703	12,527,265
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,608,830	\$ 9,267,825	\$ (6,183,281)	\$ 3,182,115	\$ 28,232,008

Town of Topsfield, Massachusetts
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Gould Trust</u>	<u>Town Hall and School Roof Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>					
Property Taxes	\$ 23,506,782	\$ -	\$ -	\$ -	\$ 23,506,782
Tax Liens	29,974	-	-	-	29,974
Excises	1,198,197	-	-	-	1,198,197
Penalties and Interest	30,132	-	-	-	30,132
Licenses and Permits	324,606	-	-	-	324,606
Intergovernmental	3,733,816	-	151,624	1,314,094	5,199,534
Charges for Services	275,199	-	-	596,415	871,614
Fines and Forfeits	41,850	-	-	-	41,850
Earnings on Investments	116,506	761,619	-	2,631	880,756
In Lieu of Taxes	78,526	-	-	-	78,526
Contributions	-	-	-	93,406	93,406
Miscellaneous	37,539	-	13,000	493,081	543,620
Total Revenues	<u>29,373,127</u>	<u>761,619</u>	<u>164,624</u>	<u>2,499,627</u>	<u>32,798,997</u>
<u>Expenditures:</u>					
General Government	1,482,434	-	6,261,941	580,764	8,325,139
Public Safety	2,560,662	-	-	23,080	2,583,742
Education	17,231,906	-	536,488	1,016,874	18,785,268
Highways and Public Works	1,808,077	-	-	462,940	2,271,017
Human Services	250,074	-	-	27,571	277,645
Culture and Recreation	579,368	157,500	-	33,336	770,204
Debt Service	749,278	-	-	103,106	852,384
Intergovernmental	300,530	-	-	-	300,530
Employee Benefits	3,478,746	-	-	-	3,478,746
Total Expenditures	<u>28,441,075</u>	<u>157,500</u>	<u>6,798,429</u>	<u>2,247,671</u>	<u>37,644,675</u>
Excess of Revenues Over (Under) Expenditures	<u>932,052</u>	<u>604,119</u>	<u>(6,633,805)</u>	<u>251,956</u>	<u>(4,845,678)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In	393,088	-	97,320	246,109	736,517
Transfers (Out)	(246,109)	-	-	(370,482)	(616,591)
Proceeds from Bonds	-	-	1,487,000	1,588,500	3,075,500
Total Other Financing Sources (Uses)	<u>146,979</u>	<u>-</u>	<u>1,584,320</u>	<u>1,464,127</u>	<u>3,195,426</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1,079,031</u>	<u>604,119</u>	<u>(5,049,485)</u>	<u>1,716,083</u>	<u>(1,650,252)</u>
Fund Balance, Beginning	<u>5,491,754</u>	<u>8,658,939</u>	<u>-</u>	<u>26,824</u>	<u>14,177,517</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(1,133,796)</u>	<u>1,133,796</u>	<u>-</u>
Fund Balance, Beginning as Restated	<u>5,491,754</u>	<u>8,658,939</u>	<u>(1,133,796)</u>	<u>1,160,620</u>	<u>14,177,517</u>
Fund Balance, Ending	<u>\$ 6,570,785</u>	<u>\$ 9,263,058</u>	<u>\$ (6,183,281)</u>	<u>\$ 2,876,703</u>	<u>\$ 12,527,265</u>

Town of Topsfield, Massachusetts
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
Fiscal Year Ended June 30, 2018

Total governmental fund balances	\$ 12,527,265
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,330,238
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	583,545
Deferred Outflows/Inflows of Resources related to Pensions, OPEB and Debt Refundings are not required to be reported in the fund financial statements. However, they must be amortized as expenses in future periods in the entity- wide financial statements:	
Deferred Outflows of Resources - Pensions	1,202,058
Deferred Inflows of Resources - Pensions	(1,082,687)
Deferred Inflows of Resources - OPEB	(550,561)
Deferred Outflows of Resources - Debt Refundings	8,644
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds Payable	(4,440,500)
Accrued Interest on Bonds	(33,965)
Other Post Employment Benefit Obligations	(13,835,982)
Net Pension Liability	(12,081,719)
Landfill Liability	(746,928)
Compensated Absences	(374,387)
Net position of governmental activities	<u>\$ 11,505,021</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, 2018

Net change in fund balances - total governmental funds \$ (1,650,252)

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

Assets Acquired	7,677,944	
Depreciation	<u>(972,069)</u>	
Net Effect of Reporting Capital Assets		6,705,875

In the statement of activities, the gain on the trade in of capital assets is reported, whereas in the governmental funds, the gain is not reported. 9,754

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (84,352)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (2,572,161)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is represents the difference in the current and prior year accrued long-term debt interest. (15,914)

Some expenses reported in the Statement of Activities, such as compensated absences, pension and other post employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these items. (821,096)

Change in net position of governmental activities \$ 1,571,854

Town of Topsfield, Massachusetts
Proprietary Funds
Statement of Net Position
June 30, 2018

	<u>Water Enterprise</u>
Assets	
Current:	
Cash and Cash Investments	\$ 8,211,793
Receivables, Net of Allowance for Uncollectibles:	
User Charges	437,309
Liens	1,356
Noncurrent:	
Assets Not Being Depreciated	5,854,045
Assets Being Depreciated, Net	6,504,449
Total Assets	<u>21,008,952</u>
 Deferred Outflows of Resources	
Pension	68,330
Total Deferred Outflows of Resources	<u>68,330</u>
 Liabilities	
Current:	
Warrants Payable	481,069
Accrued Wages Payable	8,474
Bond Anticipation Notes Payable	10,196,549
Accrued Interest Payable	19,099
Compensated Absences	1,646
Bonds Payable	159,600
Noncurrent:	
Bonds Payable	1,957,900
Net Pension Liability	686,779
Compensated Absences	6,584
Other Post Employment Benefit Obligations	195,074
Total Liabilities	<u>13,712,774</u>
 Deferred Inflows of Resources	
Pension	61,545
Other Post Employment Benefit Obligations	9,110
Total Deferred Outflows of Resources	<u>70,655</u>
 Net Position	
Net Investment in Capital Assets	6,708,173
Unrestricted	585,680
Total Net Position	<u>\$ 7,293,853</u>

Town of Topsfield, Massachusetts
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2018

	<u>Water Enterprise</u>
Operating Revenues:	
Charges for Services	\$ 1,526,584
	<u>1,526,584</u>
Total Operating Revenues	<u>1,526,584</u>
Operating Expenditures:	
Personal Services	289,859
Nonpersonal Service	411,555
Depreciation	<u>273,064</u>
Total Operating Expenditures	<u>974,478</u>
Operating Income (Loss)	<u>552,106</u>
Nonoperating Revenues (Expenses):	
Miscellaneous Revenues	53,500
Interest Expense	<u>(60,123)</u>
Total Nonoperating Revenues (Expenses)	<u>(6,623)</u>
Income (Loss) Before Contributions and Transfers	<u>545,483</u>
Transfers In	23,452
Transfers Out	<u>(143,378)</u>
Total Contributions and Transfers	<u>(119,926)</u>
Change in Net Position	<u>425,557</u>
Total Net Position July 1, 2017	<u>6,899,615</u>
Prior Period Adjustment	<u>(31,319)</u>
Total Net Position July 1, 2017, as Restated	<u>6,868,296</u>
Total Net Position June 30, 2018	<u><u>\$ 7,293,853</u></u>

Town of Topsfield, Massachusetts
Statement of Cash Flows
Proprietary Fund
Fiscal Year Ended June 30, 2018

	Water Enterprise
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,468,789
Payments to Employees	(286,531)
Payments to Vendors	47,075
Net Cash Flows Provided (Used) by Operating Activities	<u>1,229,333</u>
Cash Flows from Non Capital Related Financing Activities:	
Transfer from (to) Other Funds	<u>(119,926)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(119,926)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(4,780,429)
Payment of Bond Anticipation Note	(1,818,000)
Proceeds from Bonds Anticipation Note	10,196,549
Premium on Bond Anticipation Note	53,500
Proceeds from Bonds	1,557,500
Principal Payments on Notes and Bonds	(79,500)
Interest Expense	<u>(50,833)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>5,078,787</u>
Cash Flows from Investing Activities:	
Net Cash Flows Provided (Used) by Investing Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>6,188,194</u>
Cash and Cash Equivalents, July 1, 2017	2,054,918
Prior Period Adjustments	<u>(31,319)</u>
Beginning of the Year, as Restated	<u>2,023,599</u>
Cash and Cash Equivalents, June 30, 2018	<u><u>\$ 8,211,793</u></u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ 552,106
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	273,064
(Increase) Decrease in Assets/Deferred Outflows of Resources	
Accounts Receivable - Customer	(57,795)
Deferred Outflows of Resources - Pensions	13,658
Increase (Decrease) in Liabilities/Deferred Inflows of Resources	57,003
Warrants and Accounts Payable	430,023
Net Pension Liability	(71,305)
Other Post Employment Benefit Obligations	32,579
Net Cash Provided by Operating Activities	<u><u>\$ 1,229,333</u></u>

Town of Topsfield, Massachusetts
Fiduciary Funds
Statement of Net Position
June 30, 2018

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>	Total Fiduciary <u>Funds</u>
Assets			
Cash and Cash Investments	\$ 543,934	\$ -	\$ 543,934
Investments:			
Domestic Equity - Large Cap	-	183,274	183,274
Domestic Equity - Small/Mid Cap	-	82,473	82,473
International Equity - Developed Market	-	73,310	73,310
International Equity - Emerging Market	-	27,491	27,491
Domestic Fixed Income	-	293,239	293,239
Alternatives	-	73,310	73,310
Total Assets	<u>543,934</u>	<u>733,097</u>	<u>1,277,031</u>
Liabilities			
Current	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for:			
Other Post Employment Benefits	-	733,097	733,097
Other Purposes	<u>543,934</u>	<u>-</u>	<u>543,934</u>
Total Net Position	<u>\$ 543,934</u>	<u>\$ 733,097</u>	<u>\$ 1,277,031</u>

Town of Topsfield, Massachusetts
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2018

	Private Purpose <u>Trust</u>	Other Postemployment Benefits <u>Trust</u>	Total Fiduciary <u>Funds</u>
Additions			
Contribution - Employer	\$ -	\$ 543,713	\$ 543,713
Gift	948	-	948
Interest, Dividends, and Other	42,536	34,450	76,986
Total Additions	<u>43,484</u>	<u>578,163</u>	<u>621,647</u>
Deductions			
Education - Scholarships	600	-	600
Benefit Payments	3,900	443,713	447,613
Total Deductions	<u>4,500</u>	<u>443,713</u>	<u>448,213</u>
Change in Net Position	<u>38,984</u>	<u>134,450</u>	<u>173,434</u>
Net Position:			
Beginning of the Year	<u>504,950</u>	<u>598,647</u>	<u>1,103,597</u>
Ending of the Year	<u>\$ 543,934</u>	<u>\$ 733,097</u>	<u>\$ 1,277,031</u>

Town of Topsfield, Massachusetts
Notes to the Financial Statements
June 30, 2018

I. Reporting Entity

The accompanying financial statements present the financial position of the Town of Topsfield as of June 30, 2018. The report includes all the services provided by the Town to its residents and businesses within its boundaries. Municipal services provided include public safety, recreation, public works, library, water and general administration. Criteria used in determining the scope of the reporting entity included the Town's ability to significantly influence operations, selection of governing authority, designation of management, financial interdependency and accountability for fiscal matters. All operations of the Town that meet the preceding criteria are included in the reporting entity.

II. Summary of Significant Accounting Policies

The accounting policies of the Town of Topsfield, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2018, conform to accounting principles generally accepted in the United States of America for local government units.

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

(A) Government-wide and fund financial statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Major Fund Criteria

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

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

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

(B) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The Town reports the following major governmental funds:

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

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

Town Hall and School Roof Projects – This major fund reports the activity related to the Town Hall and School Roof Capital Project.

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

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

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

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

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

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

The Town reports the following major proprietary fund:

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

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

The following fiduciary fund types are reported:

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

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

(C) Budgetary Data

i) General Budget Policies

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

ii) Budget Basis of Accounting

The budget amounts appearing in the financial statements are taken from the Town's annual recap sheet and include only those amounts which pertain to fiscal year 2018. The budget amounts include special Town meeting votes applicable to fiscal year 2018 and any reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles (GAAP) basis (fund financial statements) for the year ended June 30, 2018.

	<u>Revenues</u>
As Reported Budget Basis	\$ 27,513,079
Adjustments:	
Sixty Day Property Tax Accrual - Net	48,027
Stabilization Fund Interest Earnings - General Fund for GAAP	19,063
MTRS Pension Expense Subsidy Included in Intergovernmental	
Revenue - GAAP Basis	1,792,958
As Reported GAAP Statement	<u><u>\$ 29,373,127</u></u>

	<u>Expenditures</u>
As Reported Budget Basis	\$ 27,071,021
Adjustments:	
July 1, 2017 Encumbrances	382,457
June 30, 2018 Encumbrances	(404,171)
OPEB Contribution - Transfer Out on Budgetary Basis, but	
Employee Benefit Expense on GAAP Basis	100,000
Pay down of BANS	(96,000)
Expense Reimbursed and Reserved	(405,190)
MTRS Pension Expense Subsidy Included in Education	
Expense - GAAP Basis	1,792,958
As Reported GAAP Statement	<u>\$ 28,441,075</u>

(D) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Equipment	5-25
Improvements	20-50
Infrastructure	40-50
Vehicles	5-15

(E) Deferred Outflows/Inflows of Resources

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

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

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

(F) Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

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

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

Fund Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

Details of Fund Balance Classifications

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

	<u>General Fund</u>	<u>Gould Trust</u>	<u>Town Hall and School Roof</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Perpetual Permanent Funds	\$ -	\$ 8,654,402	\$ -	\$ 792,557	\$ 9,446,959
Total Nonspendable	<u>-</u>	<u>8,654,402</u>	<u>-</u>	<u>792,557</u>	<u>9,446,959</u>
Restricted for:					
General Government	-	-	-	228,101	228,101
Public Safety	-	-	-	43,758	43,758
Education	-	-	-	293,236	293,236
Public Works	-	-	-	714,261	714,261
Human Services	-	-	-	21,987	21,987
Culture and Recreation	-	608,656	-	61,652	670,308
Capital Outlay	-	-	-	9,649	9,649
Debt Services	-	-	-	131,430	131,430
Kindergarten and Pre-School Tuition	-	-	-	274,230	274,230
Total Restricted	<u>-</u>	<u>608,656</u>	<u>-</u>	<u>1,778,304</u>	<u>2,386,960</u>

	<u>General Fund</u>	<u>Gould Trust</u>	<u>Town Hall and School Roof</u>	<u>Non Major Funds</u>	<u>Total</u>
Committed to:					
General Government	632,442	-	-	191,545	823,987
Public Safety	133,947	-	-	-	133,947
Education	-	-	-	31,132	31,132
Public Works	198,659	-	-	39,033	237,692
Human Services	3,600	-	-	11,640	15,240
Culture and Recreation	-	-	-	32,492	32,492
Employee Benefits	315,000	-	-	-	315,000
Capital Outlay	100,000	-	-	-	100,000
Total Committed	<u>1,383,648</u>	<u>-</u>	<u>-</u>	<u>305,842</u>	<u>1,689,490</u>
Assigned to:					
General Government	5,366	-	-	-	5,366
Public Safety	786	-	-	-	786
Education	54,446	-	-	-	54,446
Public Works	3,229	-	-	-	3,229
Culture and Recreation	137	-	-	-	137
Reduce the Tax Levy	478,683	-	-	-	478,683
Total Assigned	<u>542,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542,647</u>
Unassigned	<u>4,644,490</u>	<u>-</u>	<u>(6,183,281)</u>	<u>-</u>	<u>(1,538,791)</u>
Total Fund Balances	<u>\$ 6,570,785</u>	<u>\$ 9,263,058</u>	<u>\$ (6,183,281)</u>	<u>\$ 2,876,703</u>	<u>\$ 12,527,265</u>

Stabilization Fund

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

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

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

said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$1,555,703. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet, in accordance with GASB 54.

(G) Pensions

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

(H) Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Government Activities:				
Land	\$ 5,196,767	\$ -	\$ -	\$ 5,196,767
Intangible - Conservation Restriction	-	494,810	-	494,810
Construction in Progress	1,428,409	6,873,256	-	8,301,665
Total Capital Assets Not Being Depreciated	<u>6,625,176</u>	<u>7,368,066</u>	<u>-</u>	<u>13,993,242</u>
Assets Being Depreciated:				
Buildings	17,689,785	-	-	17,689,785
Improvements Other Than Buildings	266,947	-	-	266,947
Infrastructure	14,265,312	-	-	14,265,312
Equipment	2,167,709	9,341	(48,200)	2,128,850
Vehicles	3,717,218	282,155	(77,332)	3,922,041
Total Capital Assets Being Depreciated	<u>38,106,971</u>	<u>291,496</u>	<u>(125,532)</u>	<u>38,272,935</u>
Less Accumulated Depreciation for:				
Buildings	(8,853,980)	(417,229)	-	(9,271,209)
Improvements Other Than Buildings	(197,022)	(6,080)	-	(203,102)
Infrastructure	(8,967,775)	(157,156)	-	(9,124,931)
Equipment	(1,531,790)	(94,148)	48,200	(1,577,738)
Vehicles	(1,538,835)	(297,456)	77,332	(1,758,959)
Total Accumulated Depreciation	<u>(21,089,402)</u>	<u>(972,069)</u>	<u>125,532</u>	<u>(21,935,939)</u>
Capital Assets Being Depreciated, Net	<u>17,017,569</u>	<u>(680,573)</u>	<u>-</u>	<u>16,336,996</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,642,745</u>	<u>\$ 6,687,493</u>	<u>\$ -</u>	<u>\$ 30,330,238</u>

(H) Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 22,917
Public Safety	238,758
Education	282,803
Highways and Public Works	307,787
Human Services	7,056
Culture and Recreation	112,748
Total Governmental Activities Depreciation Expense	<u>\$ 972,069</u>

	Beginning Balance	Additions	Reductions	Ending Balance
Business-Type Activities:				
Land	\$ 323,038	\$ -	\$ -	\$ 323,038
Construction in Progress	750,578	4,780,429	-	5,531,007
Total Capital Assets Not Being Depreciated	<u>1,073,616</u>	<u>4,780,429</u>	<u>-</u>	<u>5,854,045</u>
Assets Being Depreciated:				
Buildings	144,521	-	-	144,521
Improvements Other Than Buildings	30,400	-	-	30,400
Infrastructure	11,300,016	-	-	11,300,016
Equipment	106,342	-	-	106,342
Vehicles	132,418	-	-	132,418
Total Capital Assets Being Depreciated	<u>11,713,697</u>	<u>-</u>	<u>-</u>	<u>11,713,697</u>
Less Accumulated Depreciation for:				
Buildings	(55,558)	(3,613)	-	(59,171)
Improvements Other Than Buildings	(23,900)	(1,000)	-	(24,900)
Infrastructure	(4,702,337)	(247,578)	-	(4,949,915)
Equipment	(90,125)	(1,400)	-	(91,525)
Vehicles	(64,264)	(19,473)	-	(83,737)
Total Accumulated Depreciation	<u>(4,936,184)</u>	<u>(273,064)</u>	<u>-</u>	<u>(5,209,248)</u>
Capital Assets Being Depreciated, Net	<u>6,777,513</u>	<u>(273,064)</u>	<u>-</u>	<u>6,504,449</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,851,129</u>	<u>\$ 4,507,365</u>	<u>\$ -</u>	<u>\$ 12,358,494</u>

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Water	<u>\$ 273,064</u>

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

(i) Cash and Investments

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

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not

exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Depository Trust (“MMDT”).

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$4,355,820 of the Town’s bank balance of \$23,314,500 was exposed to credit risk as follow:

Uninsured and Uncollateralized \$ 4,355,820

Investments

As of June 30, 2018, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U. S. Government Obligations	\$ 746,709	\$ 383,390	\$ 363,319	\$ -
Corporation Notes and Bonds	<u>3,395,227</u>	<u>336,163</u>	<u>3,059,064</u>	<u>-</u>
Total	<u>\$ 4,141,936</u>	<u>\$ 719,553</u>	<u>\$ 3,422,383</u>	<u>\$ -</u>
Other Investments:				
Money Market Funds	\$ 436,049			
Certificates of Deposit	1,099,177			
Mutual Funds	913,366			
Equities	6,565,565			
Mass. Municipal Depository Trust	<u>1,336,788</u>			
Total Other Investment	<u>10,350,945</u>			
Total Investments	<u>\$ 14,492,881</u>			

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Fair Value Measurement

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

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

Level 2 -Inputs to the valuation methodology include:

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

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

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

The Town has the following recurring fair value measurements as of June 30, 2018:

		<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
		Quoted Prices in Active Markets for <u>Identical Assets</u>	Significant Other Observable <u>Inputs</u>	Significant Unobservable <u>Inputs</u>
	<u>Total</u>			
Investment by Fair Value Level:				
U. S. Treasuries	\$ -	\$ -	\$ -	\$ -
Government Agency	746,709	746,709	-	-
Corporate Bonds	3,395,227	-	3,395,227	-
Mutual Funds	913,366	913,366	-	-
Money Market Mutual Funds	436,049	436,049	-	-
Fixed Income Funds	-	-	-	-
Common Stock	6,565,565	6,565,565	-	-
Total Assets in the Fair Value Hierarchy	<u>12,056,916</u>	<u>\$ 8,661,689</u>	<u>\$ 3,395,227</u>	<u>\$ -</u>
Investment not Subject to Fair Value Hierarchy Reporting:				
Certificates of Deposit	1,099,177			
Mass. Municipal Depository Trust	<u>1,336,788</u>			
Total Investments	<u>\$ 14,492,881</u>			

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

ii) Property Taxes

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

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

iii) Warrants Payable

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

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

i) Interfund Transfers

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

Operating transfers - by fund - are detailed below:

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 393,088	\$ (246,109)	\$ 146,979
Town Hall and School Roof	97,320	-	97,320
Non-major Governmental	246,109	(370,482)	(124,373)
Enterprise - Business Type	23,452	(143,378)	(119,926)
Total	<u>\$ 759,969</u>	<u>\$ (759,969)</u>	<u>\$ -</u>

ii) Compensated Absences

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

iii) Long-Term Obligations

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

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

iv) Use of Estimates

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

v) Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(K) Pension Plans

A. General Information about the Pension Plan

Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

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

https://www.essexregional.com/sites/essexregionalretirement/files/uploads/essex_regional_retirement_system_financial_statements_12-31-2017.pdf or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

Benefits Provided

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

Retirement Benefits

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

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

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

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

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

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

Retirement Benefits - Superannuation

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

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

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

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

Ordinary Disability Benefits

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

Accidental Disability Benefit

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

Death Benefits

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

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

will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

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

The Town's contractually required contribution rate for the year ended June 30, 2018 was 23.25% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$1,058,923 for the year ending June 30, 2018.

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

At December 31, 2017, the Town reported a liability of \$12,768,498 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the Town's proportion was 3.392671%.

For the year ended December 31, 2017, the Town recognized pension expense of \$283,927. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (180,698)
Change in assumptions	1,048,331	-
Net differences between projected and actual earnings on pension plan investments	-	(562,172)
Changes in proportion and differences between contributions and proportionate share of contributions	222,057	(401,362)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,270,388</u>	<u>\$ (1,144,232)</u>

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

Year ended June 30:	Amount
2019	\$ 149,948
2020	162,373
2021	(29,333)
2022	(156,832)
Total	<u>\$ 126,156</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017.

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry age normal cost method
Salary Increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.5% after 5 years of service.
Amortization Method	Level payments on the 2002 and 2003 Early Retirement Incentive (ERI): total appropriation increase 7.41% through fiscal year 2022, 6.36% for fiscal year 2023 and 4.0% thereafter
Remaining Amortization Period	As of July 1, 2016, 3 years remaining for the 2002 ERI liability; 4 years remaining for the 2003 ERI liability and 19 years for the remaining unfunded liability
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted, as necessary, to be within 10% of market value.
Investment Rate of Return/Discount Rate	7.5% net of pension plan investment expense, included inflation (7.75% in previous valuation)
Inflation Rate	2.75% (4.0% in previous valuation)
Cost of Living Adjustments	3.00% of first \$14,000
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates Were Based on the Tables Noted Below:	
Pre-Retirement	The RP-2000 Employee Mortality Table projected generationally with Scale BB (previously, RP-Employee Mortality Table projected generationally from 2009 with Scale BB2D)
Healthy Retiree	The RP-2000 Health Annuity Mortality Table projected generationally with Scale BB (previously, RP-Healthy Annuitant Mortality Table projected generationally from 2009 with Scale BB2D)
Disabled	The RP-2000 Health Annuity Mortality Table, set forward two years projected generationally with Scale BB (previously, RP-Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D)

Changes in Actuarial Assumptions and Plan Provisions

Effective January 1, 2018 the following changes were made:

Actuarial Assumptions

- The net investment return assumption and discount rate were lowered from 7.75% to 7.50%.
- The inflation rate was lowered from 4.00% to 2.75%.
- The assumed interest on employee contributions was increased from 2.0% to 3.75%.
- The administrative expense assumption was lowered from \$1,127,500 to \$1,000,000.
- The retirement rates for employees in Groups 1 and 2 hired after April 1, 2012 and in Group 4 were revised to match the rates for employees hired before April 1, 2012 and there were minor changes to the rates prior to age 54 for Group 4 employees. The percentage of accidental disability retirees who are expected to die from the same cause as the disability was lowered from 40% to 20% for groups 1 and 2 employees and increased from 40% to 60% for Group 4 employees.
- The allowance for net 3(8)(c) payments was changed from an estimated liability to a term cost added to the service cost.

Plan Provisions

There were not any changes in the plan provisions.

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established by PRIT and the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

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

inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	17.50%	6.15%
International Developed Markets Equity	15.50%	7.11%
International Emerging Markets Equity	6.00%	9.41%
Core Fixed Income	12.00%	1.68%
High-Yield Fixed Income	10.00%	4.13%
Real Estate	10.00%	4.90%
Commodities	4.00%	4.71%
Hedge Funds, GTAA, Risk Parity	13.00%	3.84%
Private Equity	12.00%	10.28%
	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2017 (net of investment expenses) was 17.11%. (7.80% for December 31, 2016). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% (7.75% in the previous valuation). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Essex Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's share of the net pension liability of the Essex Regional Retirement System, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Town's proportionate share of the Net Pension Liability	\$16,054,323	\$12,768,498	\$9,996,251

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Essex Regional Retirement System's financial report. The financial report is available on the internet at:

https://www.essexregional.com/sites/essexregionalretirement/files/uploads/essex_regional_retirement_system_financial_statements_12-31-2017.pdf

C. Massachusetts Teachers Retirement System

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the Town's proportionate share of the collective pension expense was \$1,792,958. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The Commonwealth's proportionate share of net pension liability associated with the Town is \$17,178,385. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at:

<http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a

member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

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

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

In addition, members who join the system on or after April 2, 2012 will have their withholding rate reduced to 8% after achieving 30 years of creditable service.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

3. Mortality rates were as follows:

- Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). (previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 - gender distinct).
- Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). (previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).
- Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.

4. An Experience Study was performed as follows:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core fixed income	12.00%	11.00%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

L) Other Postemployment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement #74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (which became effective for the June 30, 2017 reporting period) and Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (effective for the June 30, 2018 reporting period). GASB Statements #74 and #75 relate to reporting requirements of the Town's OPEB Trust fund and the Town's OPEB liability. The net other post-employment benefits **liability** reported in the Town's statement of net position under the new standards differs from the net other post-employment benefits **obligation** amount previously reported (in accordance with the prior standards guided by GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*). Under GASB Statement #45, the reporting of the Town's net other post-employment benefits liability was "phased in" over a thirty-year period. The new standards eliminate the thirty-year phase in period and require reporting the entire other net post-employment benefits liability.

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

General Information About the Plan

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Board of Selectmen's and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

Plan Membership: At June 30, 2018, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	85
Active Plan Members	<u>155</u>
Total	240

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

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

Employer Reporting (GASB 75)

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% as of July 1, 2017 and for future periods
Salary Increases	3.00% annually as of July 1, 2017 and for future periods
Single Equivalent Discount Rate	4.75%, net of OPEB plan investment expense, including inflation (previously 3.50%)

Mortality Rates were based on the tables noted below:

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

Investments

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2018, are summarized in the table below:

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity - Large Cap	25.00%	4.00%
Domestic Equity - Small/Mid Cap	11.25%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	3.75%	7.00%
Domestic Fixed Income	40.00%	2.00%
International Fixed Income	0.00%	3.00%
Alternatives	10.00%	6.50%
Real Estate	0.00%	6.25%
	<u>100.00%</u>	

Concentrations

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

Rate of Return

For the year ended June 30, 2017 (GASB 75 reporting period June 30, 2018), the annual money-weighted rate of return on investments, net of investment expense, was 7.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total OPEB liability was 4.75% (3.5% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will not be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore a blended long-term expected rate of return on OPEB plan investments was applied to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fidciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances 7/1/2017	\$ 14,512,670	\$ 458,499	\$ 14,054,171
Service cost	548,146	-	548,146
Interest	704,311	-	704,311
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(663,502)	-	(663,502)
Net investment income	-	40,148	(40,148)
Contributions - employer	-	571,922	(571,922)
Benefit payments	(471,922)	(471,922)	-
Net changes	<u>117,033</u>	<u>140,148</u>	<u>(23,115)</u>
Balances 6/30/18	<u>\$ 14,629,703</u>	<u>\$ 598,647</u>	<u>\$ 14,031,056</u>

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

	1% Decrease <u>3.75%</u>	Discount Rate <u>4.75%</u>	1% Increase <u>5.75%</u>
Net OPEB Liability (asset)	\$16,383,565	\$14,031,056	\$12,142,943

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

	1% Decrease <u>4.00%</u>	Healthcare Cost Trend <u>5.00%</u>	1% Increase <u>6.00%</u>
Net OPEB Liability (asset)	\$10,739,926	\$14,031,056	\$18,206,361

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$536,556. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (553,832)
Change in assumptions	-	-
Net differences between projected and actual earnings on OPEB plan investments	-	(5,839)
	<u>\$ -</u>	<u>\$ (559,671)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Amount
2019	\$ (111,130)
2020	(111,130)
2021	(111,130)
2022	(111,129)
2023	(115,152)
Total	<u>\$ (559,671)</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

Plan Reporting – Fiduciary Funds (GASB 74 Reporting)

Investments

Investment Policy: The plan's policy in regard to the allocation of invested assets is approved and may be amended by the Treasurer with the approval of the Commissioners. The intended policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

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

arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2018, are summarized in the table below:

	Target <u>Allocation</u>	Long Term Expected <u>Rate of Return</u>
Domestic Equity - Large Cap	25.00%	4.00%
Domestic Equity - Small/Mid Cap	11.25%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	3.75%	7.00%
Domestic Fixed Income	40.00%	2.00%
International Fixed Income	0.00%	3.00%
Alternatives	10.00%	6.50%
Real Estate	0.00%	6.25%
	<u>100.00%</u>	

Concentrations

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

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Total OPEB Liability	\$14,879,301
Plan Fiduciary Net Position	(733,097)
Net OPEB Liability	<u>\$14,146,204</u>

Plan fiduciary net position as a percentage of the total OPEB liability	4.93%
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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 (rolled forward to June 30, 2018), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% as of July 1, 2017 and for future periods
Salary Increases	3.00% annually as of July 1, 2017 and for future periods
Single Equivalent Discount Rate	5.0%, net of OPEB plan investment expense, including inflation (previously 4.75%)

Mortality Rates were based on the tables noted below:

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

Changes in Assumption:

The discount rate of return was changed from 4.5% to 5.0%.

Discount rate: The discount rate used to measure the total OPEB liability was 5.0% (4.5% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that Town contributions will not be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore a blended long-term expected rate of return on OPEB plan investments was applied to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current discount rate:

	1% Decrease <u>4.00%</u>	Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Net OPEB Liability (asset)	\$16,475,711	\$14,146,204	\$12,262,057

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

percentage-point lower (4.0%) or 1-percentage-point higher (6.0%) than the current healthcare cost trend rates:

	1% Decrease <u>4.00%</u>	Healthcare Cost Trend <u>5.00%</u>	1% Increase <u>6.00%</u>
Net OPEB Liability (asset)	\$10,865,044	\$14,146,204	\$18,289,674

III. Detail Notes on All Funds

(A) Accounts Receivable

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

Governmental Activities

Property Taxes Receivable:

Real Estate Taxes	
2018	\$ 150,058
2017	10,260
2016	9,479
2015	9,704
2014	9,263
2013	8,399
2012	8,825
Total Real Estate Taxes	<u>\$ 205,988</u>

(A) Accounts Receivable (Continued)

Personal Property Taxes

2018	1,126	
2017	325	
2016	398	
2015	53	
Total Personal Property Taxes		<u>1,902</u>

Total Property Taxes Receivable \$ 207,890

Tax Liens \$ 157,287

Excise Taxes Receivable:

Motor Vehicle Excise Taxes

2018	55,188	
2017	11,499	
2016	2,727	
2015	2,265	
2014	36	
2013	56	
2012	78	
2011	234	
Tax Excise Receivable		<u>\$ 72,083</u>

Other:

Police and Fire Details \$ 70,163

Intergovernmental:

Commonwealth - Highway Funds	\$ 236,651	
Other Federal and State Grants	425,000	
Total Intergovernmental		<u>\$ 661,651</u>

Business Type Activities:

User Charges:

Water \$ 437,309

Liens:

Water Liens \$ 1,356

(B)

Liabilitiesi Bond Anticipation Notes Payable

The Town has various bond anticipation notes outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
<u>Governmental Activities:</u>						
SCH - Exterior Painting & Preservation	\$ 110,000	\$ -	\$ 110,000	\$ -		
Town Hall Exterior Envelop Repair	177,000	-	177,000	-		
HWY Catch Basin Cleaner Truck	165,000	-	165,000	-		
Fire Ladder Truck	1,000,000	-	1,000,000	-		
Fire Rescue Vehicle	210,000	-	210,000	-		
SCH - Steward Sidewalk Repair	20,000	-	20,000	-		
SCH - Proctor Hallway Floors	60,000	-	60,000	-		
SCH - Proctor LIB HVAC Sys Engineer	20,000	-	20,000	-		
SCH - Proctor Lavatory Renovations	48,000	-	48,000	-		
SCH - Cupola & Engineering Study	49,000	-	49,000	-		
SCH - Roof	-	5,259,063	-	5,259,063	5/10/2019	3.00%
Town Hall Renovation	1,500,000	2,261,680	1,500,000	2,261,680	5/10/2019	3.00%
Town Hall Renovation	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>	3/8/2019	3.00%
Total	<u>\$ 9,359,000</u>	<u>\$ 13,520,743</u>	<u>\$ 9,359,000</u>	<u>\$ 13,520,743</u>		
<u>Business-Type Activities:</u>						
Water Mains - Washington St.	\$ 318,000	\$ -	\$ 318,000	\$ -		
Water Mains - Washington St.	700,000	-	700,000	-		
Water Mains - River Road	-	970,000	-	970,000	5/10/2019	3.00%
Water Treatment Plant	-	1,500,000	-	1,500,000	10/19/2018	2.25%
Water Treatment Plant	-	2,000,000	-	2,000,000	10/19/2018	2.00%
Water Treatment Plant	<u>800,000</u>	<u>5,726,549</u>	<u>800,000</u>	<u>5,726,549</u>	5/10/2019	3.00%
Total	<u>\$ 1,818,000</u>	<u>\$ 10,196,549</u>	<u>\$ 1,818,000</u>	<u>\$ 10,196,549</u>		

(B) Liabilities (Continued)

ii Long Term Debt

General obligation bonds outstanding at June 30, 2018, bear interest at various rates.

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2018:

<u>Governmental Activities:</u>	Sale Date	Original	True	Final Maturity	Balance			Balance
<u>General Obligation Bond</u>	<u>Fiscal Year</u>	<u>Borrowing</u>	<u>Interest Cost</u>	<u>Fiscal Year</u>	<u>July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>July 1, 2018</u>
Bridge Reconstruction	1/15/2011	\$ 360,000	2.0 - 4.0%	2021	\$ 130,500	\$ -	\$ (30,500)	\$ 100,000
Building Construction	1/15/2011	823,000	2.0 - 4.0%	2020	325,000	-	(80,000)	245,000
Library Building Remodeling	1/15/2011	649,000	2.0 - 4.0%	2018	100,000	-	(100,000)	-
Landfill Area - Close	1/15/2011	765,000	2.0 - 4.0%	2021	295,000	-	(95,000)	200,000
Building - Town Hall	2/14/2012	70,000	2.0 - 4.0%	2019	20,000	-	(10,000)	10,000
Building - School	2/14/2012	66,000	2.0 - 4.0%	2022	40,000	-	(5,000)	35,000
Engineering - School	2/14/2012	267,000	2.0 - 4.0%	2022	145,000	-	(30,000)	115,000
School Project	2/14/2012	1,543,000	2.0 - 4.0%	2022	815,000	-	(155,000)	660,000
Fire Rescue Vehicle	10/20/2017	172,000	3.0 - 4.0%	2025	-	172,000	-	172,000
Town Hall Ext Window Repair	10/20/2017	172,300	3.0 - 4.0%	2038	-	172,300	-	172,300
Fire Ladder Truck	10/20/2017	947,000	3.0 - 4.0%	2036	-	947,000	-	947,000
HWY Catch Basin Cleaner	10/20/2017	108,000	3.0 - 4.0%	2025	-	108,000	-	108,000
School Ext Painting	10/20/2017	103,500	3.0 - 4.0%	2029	-	103,500	-	103,500
School Sidewalks	10/20/2017	19,700	3.0 - 4.0%	2022	-	19,700	-	19,700
School Roof Study	10/20/2017	46,000	3.0 - 4.0%	2028	-	46,000	-	46,000
School HVAC	10/20/2017	20,000	3.0 - 4.0%	2022	-	20,000	-	20,000
Town Hall Remodeling	10/20/2017	1,487,000	3.0 - 4.0%	2043	-	1,487,000	-	1,487,000
Total Governmental Activities					<u>\$ 1,870,500</u>	<u>\$ 3,075,500</u>	<u>\$ (505,500)</u>	<u>\$ 4,440,500</u>

<u>Business Type Activities:</u>	Sale Date	Original	True	Final Maturity	Balance			Balance
<u>General Obligation Bond</u>	<u>Fiscal Year</u>	<u>Borrowing</u>	<u>Interest Cost</u>	<u>Fiscal Year</u>	<u>July 1, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>July 1, 2018</u>
Washington Grove	1/15/2011	\$ 505,000	2.0 - 4.0%	2026	\$ 295,000	\$ -	\$ (35,000)	\$ 260,000
Water Mains Ipswich RD	1/15/2011	550,000	2.0 - 4.0%	2026	315,000	-	(35,000)	280,000
10% Public Works Bond	1/15/2011	40,000	2.0 - 4.0%	2021	29,500	-	(9,500)	20,000
Washington St Mains	10/20/2017	930,900	3.0 - 4.0%	2035	-	930,900	-	930,900
Water Treatment Plant	10/20/2017	626,600	3.0 - 4.0%	2035	-	626,600	-	626,600
Total Business Type Activities					<u>\$ 639,500</u>	<u>\$ 1,557,500</u>	<u>\$ (79,500)</u>	<u>\$ 2,117,500</u>

(B) Liabilities (Continued)

(b) Summary of Debt Service Requirements to Maturity

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$555,500	\$134,566	\$159,600	\$67,934
2020	575,000	115,584	165,000	63,065
2021	475,000	100,359	155,000	58,115
2022	365,000	87,719	155,000	53,325
2023	155,000	78,144	150,000	47,475
2024 - 2028	700,000	304,419	595,000	155,400
2029 - 2033	650,000	199,919	375,000	80,375
2034 - 2038	570,000	102,516	362,900	39,162
2039 - 2043	395,000	32,905	0	0
	<u>\$4,440,500</u>	<u>\$1,156,131</u>	<u>\$2,117,500</u>	<u>\$564,851</u>

(c) Refunding of Long Term Debt

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

<u>Fiscal Year</u>	<u>Existing</u>	<u>Refunding</u>
	<u>Debt</u>	<u>Bonds</u>
	<u>Principal</u>	<u>Principal</u>
	<u>& Interest</u>	<u>& Interest</u>
2019	\$745,000	\$230,600
2020	734,250	222,200
2021	727,500	208,000
2022	<u>724,500</u>	<u>204,000</u>
	<u>\$2,931,250</u>	<u>\$864,800</u>

Economic Gain from Refunding Issue

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

(e) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2018, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 3, 2016	Town Hall Design/Remodeling	\$8,261,680
May 2, 2017	Water Mains	1,500,000
May 2, 2017	School Roofs	7,651,757
June 20, 2017	Water Treatment Facility	<u>9,226,549</u>
	Total	<u>\$26,639,986</u>

(B) Liabilities (Continued)

iii Changes in the government's long-term liabilities for the year ended June 30, 2018 are as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 1, 2018</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
Bonds Payable	\$ 1,870,500	\$ 3,075,500	\$ (505,500)	\$ 4,440,500	\$ 555,500
Capital Lease Obligations	28,137	-	(28,137)	-	-
Post-Closure Landfill Monitoring	781,212	-	(34,284)	746,928	38,700
Compensated Absences	329,119	111,092	(65,824)	374,387	74,877
Net Pension Liability	12,835,452	2,719,098	(3,472,831)	12,081,719	-
Other Post Employment Benefits	13,860,357	526,186	(550,561)	13,835,982	-
Total Governmental Activities	<u>\$ 29,704,777</u>	<u>\$ 6,431,876</u>	<u>\$ (4,657,137)</u>	<u>\$ 31,479,516</u>	<u>\$ 669,077</u>
Business Type Activities:					
Bonds Payable	\$ 639,500	\$ 1,557,500	\$ (79,500)	\$ 2,117,500	\$ 159,600
Compensated Absences	6,097	3,352	(1,219)	8,230	1,646
Net Pension Liability	758,084	153,685	(224,990)	686,779	-
Other Post Employment Benefits	193,814	10,370	(9,110)	195,074	-
Total Business Type Activities	<u>\$ 1,597,495</u>	<u>\$ 1,724,907</u>	<u>\$ (314,819)</u>	<u>\$ 3,007,583</u>	<u>\$ 161,246</u>

IV. Subsequent Year Authorizations

At the May 1, 2018 annual town meeting, the Town adopted a fiscal 2019 operating and capital budget of \$30,323,666. Fiscal 2019 budgetary amounts which are not reflected in the accompanying financial statements will be financed by the following sources:

Property Taxes, State Aid and Non-Property Tax Revenue	\$ 26,784,170
Enterprise Fund Retained Earnings	1,771,901
Other Available Funds	30,000
Committed Fund Balance	161,780
Restricted Fund Balance	433,882
General Fund - Committed Fund Balance	663,250
General Fund - Assigned Fund Balance	478,683
Total	<u>\$ 30,323,666</u>

V. Significant Commitments

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes encumbrances of \$63,964.

VI. Prior Period Adjustment

Governmental Accounting Standards Board Statement #45 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) required reporting the net Other Post Employment Benefits (OPEB) liability over a thirty year phase in period. Beginning in fiscal year 2018, the implementation of Governmental Accounting Standards Board Statement #75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) eliminated the phase in period and the entire net Other Post Employment Benefits (OPEB) liability must be reported. As a result, a prior period adjustment was required to reflect the entire net OPEB liability at the beginning of the fiscal year. The net position prior to the adjustment, the prior period adjustment and the net position after the prior period adjustment are as follows:

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net Position Prior to Adjustment	\$ 17,101,114	\$ 10,201,499	\$ 6,899,615
Prior Period Adjustment	(299,651)	(268,332)	(31,319)
Net Position After the Adjustment	<u>\$ 16,801,463</u>	<u>\$ 9,933,167</u>	<u>\$ 6,868,296</u>

VII. Implementation of New GASB Pronouncements

During fiscal year 2018, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this standard required reporting the entire net OPEB liability in the financial statements. In addition, the standard required significant note disclosures and additional required supplementary information.
- The GASB issued Statement No 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in reporting periods beginning after December 15, 2016. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* which is required to be implemented in fiscal year 2018. This Statement amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The statement was implemented.
- The GASB issued Statement No. 85, *Omnibus 2017* which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.

- The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.

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

- The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* which is required to be implemented for reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 84, *Fiduciary Activities* which is required to be implemented in reporting periods beginning after December 15, 2018.
- The GASB issued Statement No. 87, *Leases* which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which is required to be implemented in reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* which is required to be implemented in reporting periods beginning after December 15, 2018.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Topsfield, Massachusetts
Required Supplementary Information
Statement of Revenues and Expenditures - Budget and Actual
General Fund (Budgetary Basis)
Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Property Taxes	\$ 23,533,804	\$ 23,533,804	\$ 23,484,342	\$ (49,462)
Tax Liens	-	-	29,974	29,974
Excises	1,050,000	1,050,000	1,172,610	122,610
Penalties and Interest	26,000	26,000	30,132	4,132
Licenses and Permits	190,000	190,000	324,606	134,606
Intergovernmental	1,927,695	1,927,695	1,940,858	13,163
Charges for Services	184,000	184,000	275,199	91,199
Fines and Forfeits	49,000	49,000	41,850	(7,150)
Earnings on Investments	15,000	15,000	97,443	82,443
In Lieu of Taxes	75,000	75,000	78,526	3,526
Miscellaneous	-	-	37,539	37,539
Total Revenues	27,050,499	27,050,499	27,513,079	462,580
Expenditures				
General Government	2,006,924	2,087,810	1,964,051	123,759
Public Safety	2,608,592	2,675,833	2,582,642	93,191
Education	15,392,880	15,358,283	15,328,812	29,471
Highway and Public Works	1,719,075	1,908,015	1,871,398	36,617
Health and Human Services	255,286	259,586	243,945	15,641
Culture and Recreation	587,582	586,034	574,777	11,257
Debt Service	1,084,204	1,084,204	845,278	238,926
Intergovernmental	300,530	300,530	300,530	-
Employee Benefits	3,902,622	3,716,107	3,359,588	356,519
Total Expenditures	27,857,695	27,976,402	27,071,021	905,381
Excess (Deficiency) of Revenues Over Expenditures	(807,196)	(925,903)	442,058	1,367,961
Other Financing Sources (Uses):				
Transfers In	274,381	393,088	393,088	-
Transfers Out	(375,109)	(375,109)	(375,109)	-
Free Cash	907,924	907,924	907,924	-
Total Other Financing Sources (Uses)	807,196	925,903	925,903	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	\$ -	\$ -	\$ 1,367,961	\$ 1,367,961

See Notes to the Required Supplementary Information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportionate share of net pension liability (asset) (%)	3.392671%	3.528151%	3.443645%	3.383071%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>					
Town's proportionate share of net pension liability (asset) (\$)	12,768,498	13,593,536	12,512,102	11,477,481						
Town's covered payroll	4,366,319	4,405,007	4,486,856	4,050,676						
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	292.43%	308.59%	278.86%	283.35%						
Plan fiduciary net position as a percentage of the pension liability	55.40%	51.12%	51.01%	52.27%						

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

See Notes to the Required Supplementary Information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>									
Contractually required contribution	\$ 1,056,547	\$ 1,022,265	\$ 946,077	\$ 867,685						
Contributions in relation to the contractually required contribution	<u>(1,058,923)</u>	<u>(1,024,777)</u>	<u>(948,614)</u>	<u>(867,685)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ (2,376)</u>	<u>\$ (2,512)</u>	<u>\$ (2,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	4,366,319	4,405,007	4,486,856	4,050,676						
Contributions as a percentage of covered payroll	24.25%	23.26%	21.14%	21.42%						

See Notes to the Required Supplementary Information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Town's proportionate share of collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	0.00%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>					
Town's proportionate share of collective net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -						
State's proportionate share of collective net pension liability (asset) associated with Town (\$)	<u>\$ 17,178,385</u>	<u>\$ 16,424,903</u>	<u>\$ 15,159,297</u>	<u>\$10,923,645</u>						
Total	<u>\$ 17,178,385</u>	<u>\$ 16,424,903</u>	<u>\$ 15,159,297</u>	<u>\$10,923,645</u>						
Town's covered payroll	5,097,129	4,832,143	4,689,826	4,213,440						
Town's proportionate share of net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%						
Plan fiduciary net position as a percentage of the pension liability	54.25%	52.73%	55.38%	61.64%						
Town's expense and revenue recognized for Commonwealth support	<u>\$ 1,792,958</u>	<u>1,675,448</u>	<u>\$ 1,229,554</u>	<u>\$ 758,918</u>						

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios (GASB 75 Employer Reporting)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$ 548,146	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>								
Interest	704,311									
Changes of benefit terms	-									
Difference between expected and actual experience	(663,502)									
Changes in assumptions	(4,463,957)									
Benefit payments including implicit cost	(471,922)									
Net change in total OPEB liability	(4,346,924)									
Total OPEB liability - beginning	18,976,627									
Total OPEB liability - ending (a)	<u>\$ 14,629,703</u>									
Plan Fiduciary net position										
Contributions - employer	\$ 571,922									
Net investment income	40,148									
Benefit payments	(471,922)									
Administrative expense	-									
Net change in plan fiduciary net position	140,148									
Plan fiduciary net position - beginning	458,499									
Plan fiduciary net position - ending (b)	<u>\$ 598,647</u>									
Town's net OPEB liability - ending (a) - (b)	<u>\$ 14,031,056</u>									
Plan fiduciary net position as a percentage of the total OPEB liability	4.09%									
Covered payroll	\$ 12,941,235									
Town's net OPEB liability as a percentage of covered payroll	108.42%									

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Contributions (Employer Reporting - GASB 75)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>									
Actuarial determined contribution	\$ 1,394,824									
Contributions in relating to the actuarially determined contribution		571,922								
Contribution deficiency (excess)		<u>\$ 822,902</u>								
Covered payroll	\$ 12,941,235									
Contributions as a percentage of covered payroll	4.42%									

Notes to Schedule

Valuation date: 7/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal Actuarial Cost
Asset valuation method	Market Value of the Plan's assets as of the measurement date
Inflation	2.75%
Single Equivalent Discount Rate	4.75%
Salary increases	3.00% per annum

Mortality

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

Other information:

The discount rate utilized was 4.75%. It was, previously, 3.5%.

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios (GASB 74 Plan Reporting)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$ 525,119	\$ 597,061	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>							
Interest	719,231	708,300								
Changes of benefit terms	-	-								
Difference between expected and actual experience	(2,132,648)	-								
Changes in assumptions	-	-								
Benefit payments including implicit cost	(443,713)	(468,827)								
Net change in total OPEB liability	(1,332,011)	836,534								
Total OPEB liability - beginning	16,211,312	15,374,778								
Total OPEB liability - ending (a)	\$ 14,879,301	\$ 16,211,312								
 Plan Fiduciary net position										
Contributions - employer	\$ 543,713	\$ 568,827								
Net investment income	34,450	40,148								
Benefit payments	(443,713)	(468,827)								
Administrative expense	-	-								
Net change in plan fiduciary net position	134,450	140,148								
Plan fiduciary net position - beginning	598,647	458,499								
Plan fiduciary net position - ending (b)	\$ 733,097	\$ 598,647								
 Town's net OPEB liability - ending (a) - (b)	\$ 14,146,204	\$ 15,612,665								
 Plan fiduciary net position as a percentage of the total OPEB liability	4.93%	3.69%								
 Covered payroll	\$ 12,941,235	\$ 9,205,453								
 Town's net OPEB liability as a percentage of covered payroll	109.31%	169.60%								

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Contributions (GASB 74 Plan Reporting)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial determined contribution	\$ 1,492,382	\$ 1,473,361	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>							
Contributions in relating to the actuarially determined contribution	543,713	568,827								
Contribution deficiency (excess)	<u>\$ 948,669</u>	<u>\$ 904,534</u>								
Covered payroll	\$ 12,941,235	\$ 9,205,453								
Contributions as a percentage of covered payroll	4.20%	6.18%								

Notes to Schedule

Valuation date: 7/1/2017 7/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method Individual Entry Age Normal Cost
Asset valuation method Market Value
Inflation 2.75% as of July 1, 2017 and for future periods
Single Equivalent Discount Rate 5.0%, net of OPEB plan investment expense, including inflation (previously 4.75%)
Salary increases 3.00% annually as of July 1, 2017 and for future periods

Mortality

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

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

Disabled RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females

Other information:

The discount rate utilized was 5.0%. It was, previously, 4.5%.

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Required Supplementary Information
Schedule of Investment Returns (GASB 74 Plan Reporting)
June 30, 2018
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	5.32%	6.34%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>							

See Notes to the Required Supplementary Information

Town of Topsfield, Massachusetts
Notes to the Required Supplementary Information
June 30, 2018

(A) Budgetary Information

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

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

(B) Pension Plans

i. Plan Description

The Town provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

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

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

ii. Funding Plan

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

iii. Changes in Actuarial Assumptions and Plan Provisions

Effective January 1, 2018 the following changes were made:

Actuarial Assumptions

- The net investment return assumption and discount rate were lowered from 7.75% to 7.50%.
- The inflation rate was lowered from 4.00% to 2.75%.
- The assumed interest on employee contributions was increased from 2.0% to 3.75%.
- The administrative expense assumption was lowered from \$1,127,500 to \$1,000,000.
- The retirement rates for employees in Groups 1 and 2 hired after April 1, 2012 and in Group 4 were revised to match the rates for employees hired before April 1, 2012 and there were minor changes to the rates prior to age 54 for Group 4 employees.
- The percentage of accidental disability retirees who are expected to die from the same cause as the disability was lowered from 40% to 20% for groups 1 and 2 employees and increased from 40% to 60% for Group 4 employees.
- The allowance for net 3(8)(c) payments was changed from an estimated liability to a term cost added to the service cost.

Plans Provisions

There were not any changes in the plan provisions.

iv. Schedule of Town's Proportionate Share of the Net Pension Liability

The schedule details the Town's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the Town's covered payroll, the Town's proportionate share of the collective net pension liability as a percentage of the Town's covered payroll and the fiduciary net position of the plan as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

v. Schedule of the Town's Contributions

The schedule details the Town's contractually required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

(C) Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) issued Statement #74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (which became effective for the June 30, 2017 reporting period) and Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (effective for the June 30, 2018 reporting period). GASB Statements #74 and #75 relate to reporting requirements of the Town's OPEB Trust fund and the Town's OPEB liability. The net other post-employment benefits **liability** reported in the Town's statement of net position under the new standards differs from the net other post-employment benefits **obligation** amount previously reported (in accordance with the prior standards guided by GASB Statement #45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Under GASB Statement #45, the reporting of the Town's net other post-employment benefits liability was "phased in" over a thirty-year period. The new standards eliminate the thirty-year phase in period and require reporting the entire net other post-employment benefits liability.

Plan Description

Plan Administration: The Town administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the Town. Management of the plan is vested in the Board of Selectmen and the Town's Treasurer. The Town's Board of Selectmen has the authority to establish and amend benefit terms.

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

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

i. Schedules of Net OPEB Liability and Related Ratios (GASB 74 and GASB 75)

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered payroll and the Town's net OPEB liability as a percentage of covered payroll.

ii. Schedules of Contributions - Other Post Employment Benefits (GASB 74 and GASB 75)

The schedules detail the Town's actuarially required contributions, the contributions made by the Town, the deficiency/(excess) of contributions made by the Town, the Town's covered payroll and the Town's contributions as a percentage of covered payroll.

iii. Schedule of Investment Rate of Returns - Other Post Employment Benefits (GASB 74)

The schedule details the Town's annual money weighted rate of return, net of investment expense.

(D) Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a "special funding situation" according to GASB Statement # 68 Accounting and Financial Reporting for Pensions. Since the Town does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the Town's proportionate share of the collective pension expense was \$1,792,958. The Town's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of

this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

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

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

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

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

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

In addition, members who join the system on or after April 2, 2012 will have their withholding rate reduced to 8% after achieving 30 years of creditable service.

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct) (previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 - gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct) (previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years
4. An Experience Study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Town of Topsfield, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Topsfield's basic financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Topsfield's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company

Certified Public Accountants

Georgetown, Massachusetts

February 6, 2019



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(Date of Delivery)

Barbara Michalowski, Treasurer
Town of Topsfield
Topsfield Massachusetts

\$12,780,000
Town of Topsfield, Massachusetts
General Obligation Municipal Purpose Loan of 2019 Bonds
Dated March 1, 2019

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 alternative minimum tax. 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, as amended 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. 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.

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.

LOCKE LORD LLP

**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 \$12,780,000 General Obligation Municipal Purpose Loan of 2019 Bonds dated March 1, 2019 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 14, 2019 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
 8. Bond calls, if material, and tender offers.
 9. Defeasances.
 10. Release, substitution or sale of property securing repayment of the Bonds, if material.
 11. Rating changes.
 12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
 13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
 15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
 16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†
- (b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

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

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as 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: March 1, 2019

TOWN OF TOPSFIELD,
MASSACHUSETTS

By: _____
Treasurer

Selectmen

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