

**TOWN OF LYNNFIELD, MASSACHUSETTS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2018**



*Lynnfield Town Hall in the Fall – Photo courtesy of Eric Hamlin*

Robert Dolan  
Town Administrator

Julie McCarthy  
Assistant Finance Director/  
Town Accountant



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**Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2018**



Prepared by:

Julie McCarthy  
Assistant Finance Director/Town Accountant



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*Lynnfield Town Common with the Center Church and Old Meeting House in the background. The bell was originally a fire bell that was located on top of the Old Meeting House in the early 1900s. It was later moved and placed on the common. – Photo courtesy of Bob Curtin*

**INTRODUCTORY  
SECTION**



*Old Meeting House, built in 1714, is one of only three puritan meeting houses in continual use and on its original town green. – Photo courtesy of Bob Curtin*



# TOWN OF LYNNFIELD

Julie McCarthy  
Assistant Finance Director  
55 Summer Street  
Lynnfield MA 01940  
Telephone: 781-334-9420

December 21, 2018

## Letter of Transmittal

### **To the Honorable Board of Selectmen and Citizens of the Town of Lynnfield:**

State law requires the Town of Lynnfield to publish at the close of each fiscal year, a complete set of financial statements, in conformity with U.S. generally accepted accounting principles (GAAP), that are audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lynnfield, Massachusetts, for the fiscal year ending June 30, 2018 for your review.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions, and credit raters as well as residents and taxpayers of the Town of Lynnfield.

The report consists of management's representations concerning the finances of the Town of Lynnfield. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management of the Town of Lynnfield has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient information for the preparation of the Town of Lynnfield's financial statements in conformity with GAAP.

The Town of Lynnfield's financial statements have been audited by Melanson Heath, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Town of Lynnfield for the year ending June 30, 2018, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant

estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion on the Town of Lynnfield's financial statements for the year ended June 30, 2018, and that they are, in fact, fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The Town's MD&A can be found immediately following the independent auditor's report from Melanson Heath.

### **Profile of the Town**

Lynnfield initially consisted of two separate villages with a single governing body. The Town of Lynnfield was settled in 1638 and was made a district separate from Lynn in 1782. It was later officially incorporated in 1814. With a population of approximately 12,000, it is located in what traditionally is known as the "North Shore" approximately 12 miles from Boston within Essex County. Lynnfield is an affluent suburban community with a total area of 10.5 miles. Lynnfield lies along the western border of Essex County, and is bordered by the towns of Wakefield to the southwest, Reading to the west, North Reading to the north and northwest, Peabody to the Northeast, Lynn to the southeast and Saugus to the south.

The Town has access to Interstate 95 and US Route 1 that pass through the Town. This provides residents with easy accessibility to various employment centers in the Boston area.

Lynnfield is governed by the open town meeting model with a three-member Board of Selectmen overseeing the operation of the Town. The Town Administrator is responsible for carrying out the policies and direction of the Board of Selectmen and managing the day-to-day operations of the Town. An elected, five-member School Committee appoints a School Superintendent who administers the school system. An appointed Finance Committee, consisting of 11 members, makes recommendations to Town Meeting on operating budgets, capital budgets and other financial matters.

The Town offers a full range of traditional municipal services including police and fire protection, K-12 education, street and sidewalk maintenance, curbside solid waste and recycling collection and disposal, services for senior citizens and veterans, a full-service library, and recreational activities. The Town currently owns and operates two successful nine-hole golf courses: Reedy Meadow and King Rail. Lynnfield also has a Cultural and Media Center which is a community meeting space and also houses the local Cable Access station.

Lynnfield Public Schools operate 4 public schools: Lynnfield High School, Lynnfield Middle School, Huckleberry Hill Elementary School, and Summer Street Elementary

School. The Essex North Shore Agricultural and Technical School in Middleton offers vocational technical education in grades 9 through 12.

Lynnfield is divided into two water districts: the Lynnfield Water District and the Lynnfield Center Water District. Both districts are chartered through the state legislature and exist separately from the Town government. Each holds its own annual meeting and elects its own Board of Water Commissioners.

The Town of Lynnfield is committed to preserve the character of our community through promoting programs and policies that preserve the friendly small-town community atmosphere.

## **Factors Affecting Financial Condition**

### ***Local Economy***

Lynnfield has a very strong economy supported by the access to Boston's metropolitan area, high property values, and very good Town services, including highly rated public schools. The per capita income is significantly higher than state averages, and the unemployment rate of 2.9% is lower than the state average of 3.9%. In 2018 the average home price in Lynnfield was \$632,450, an increase of 4.5% over the prior year. The Town of Lynnfield has a primarily residential tax base which has grown through rapidly rising home values. The commercial base has also continued to grow through the continued expansion of the MarketStreet development. Prior to the development of Market Street (2012), commercial property comprised only 8% of the Town's total value compared to 14% in 2018.

MarketStreet Lynnfield is a mixed-use development consisting of 395,000 s.f. of retail space, restaurants, and entertainment, a 180-unit residential community, and 80,000 s.f. of office space. Anchored by Whole Foods, the MarketStreet development features a classic main street appeal with a town square and village green. It is easily accessible with proximity from Route 95. It has continued to expand, most recently with the addition of a 40,000 s.f. Lahey Health building that opened in 2018.

Since the opening of MarketStreet in 2013, the Town has received in excess of \$16.5 million in property taxes. Also, with the numerous new restaurants, the Town's meals tax revenue has increased substantially with over \$2 million directly attributed to these new restaurants. Other revenues have increased, including motor vehicle taxes because of the additional cars at Arbor Point, the Residential complex at MarketStreet and other miscellaneous fees and licenses.

The Town's main source of revenue, property taxes, are capped by Proposition 2½ and can be overridden only by a majority vote at a Town election. While tax revenue increases are limited, and state local aid has seen only minimal increases of less than 2%, local receipts have continued to substantially increase. In 2018 the Town collected in excess of \$5.5 million in local receipts, an 8% increase over the prior year.

## ***Long –Term Financial Planning***

Lynnfield is focused on addressing the numerous needs of the community.

The Town of Lynnfield has attained a solid financial rating of AA+ from Standard and Poor's since 2014. This reflects Lynnfield's strong budgetary flexibility, very strong liquidity with limited capital needs.

The Town of Lynnfield has a very conservative approach to budgeting. The Town maintains a 10-year capital improvement plan and prepares a formal three-year budget forecast. The budget forecast is presented to the Board of Selectmen, School Committee, and the Finance Committee.

The Town of Lynnfield also has several formal financial policies in place. The Stabilization Reserve is to maintain a balance of 3% to 5% of the operating budget, and is currently at 3.25%. Also, the Capital Facilities Maintenance Fund policy is to maintain a balance of 1% to 3% of our operating budget, and is currently 2.5%.

Lynnfield has also adopted a formal debt management policy that requires debt service to not exceed 10% of annual operating budget. Fiscal 2018 debt service budget of \$3.5 million was just 6.6% of the operating budget. The Town has total debt outstanding as of June 2018 of \$20,210,285; 82% of this debt will be paid within the next 7 years.

During 2018, the Town dedicated just under \$1,800,000 in free cash and one-time revenues to fund the capital plan related to building and equipment replacement and repair. Going forward, it is the goal of the Town to continue to aggressively fund capital needs annually on a cash basis. Additionally, \$400,000 was voted to increase reserves such as the Stabilization Fund and the Capital Facilities Maintenance Fund. Also, \$300,000 was funded in the Town's Other Post Employment Benefit Fund.

## ***Relevant Financial Policies***

The Town has continued to maintain quality municipal and school services despite years of reduced state aid through prudent budgeting, strong tax collections, conservative revenue estimates, and continued property growth.

The Town's goals are to create a balanced and sustainable budget, with no use of non-recurring reserves to fund the operating budget, to maintain an aggressive capital plan, to continue to build the stabilization and capital facilities maintenance fund reserves, and to fund annually the OPEB Trust.

The Town of Lynnfield manages its risk through a combination of self-insured programs for unemployment and worker's compensation. The Town of Lynnfield is a member of Massachusetts Interlocal Insurance Association (MIIA). This is a member-based non-profit that provides property and casualty and worker's compensation coverage to Massachusetts cities and towns. MIIA is self-supported through premiums and reinsures through commercial companies.

## Major Initiative

A Strategic Planning Committee (SPC) was formed in 2018 to advise the Board on the scope of upcoming capital projects, to examine and evaluate options regarding these projects, to assist in their prioritization, to examine funding sources and strategies, and to analyze how these projects will fit in with the Town's spending and debt plan. Over the previous decade the Town has made historic investments in its public school buildings and athletic/recreation facilities. Over the next decade, the Town sees positive opportunities to make considerable investment in Town infrastructure such as public safety buildings, our library, and town hall, to modernize operations, and to invest and improve these important community services. This blue-ribbon committee is made up of some of the Lynnfield's most talented citizens, all experts in their fields, to lead this critical initiative in partnership with the Board of Selectmen, Town Administrator, and his senior staff. It will truly be a community guide for the coming decade, and advance the goal of the Town of Lynnfield to be a AAA bond rated community.

## Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. This is a very prestigious award and in order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement requirements, and are submitting it to the GFOA to determine its eligibility.

The preparation of this comprehensive document requires a significant investment of time and resources. We would like to express our sincere thanks to all departments who assisted and contributed to the efforts of this report. Also, a special thank you to Melanson Heath, our audit firm, for all their advice and assistance in the preparation of this report.

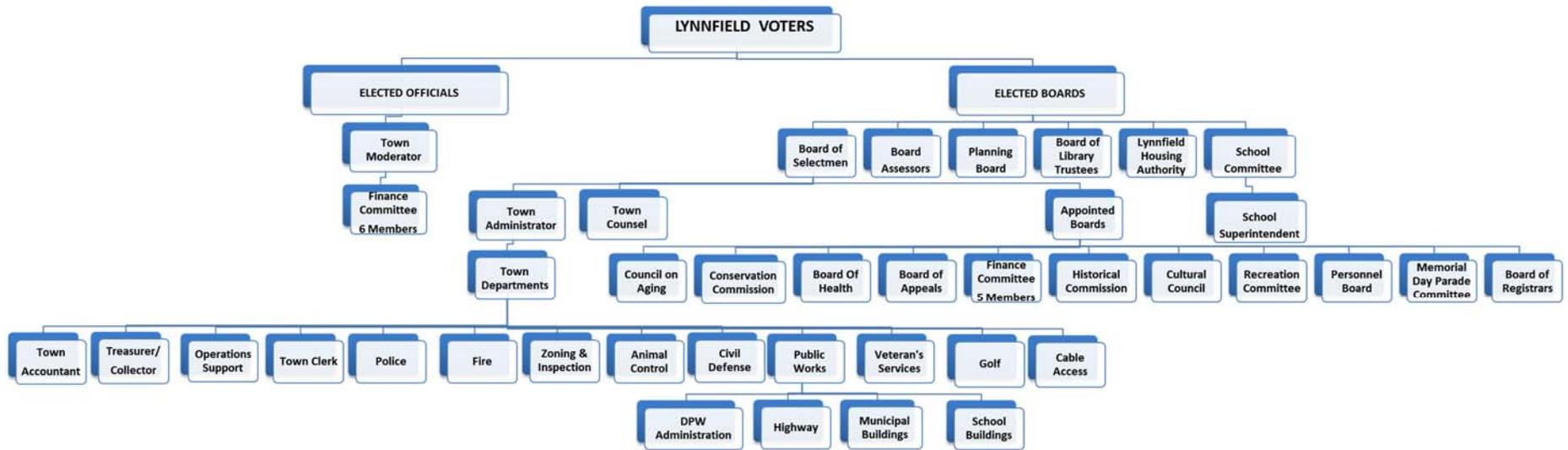
Respectfully submitted,



Robert Dolan  
Town Administrator/Finance Director



Julie McCarthy  
Assistant Finance Director/Town Accountant

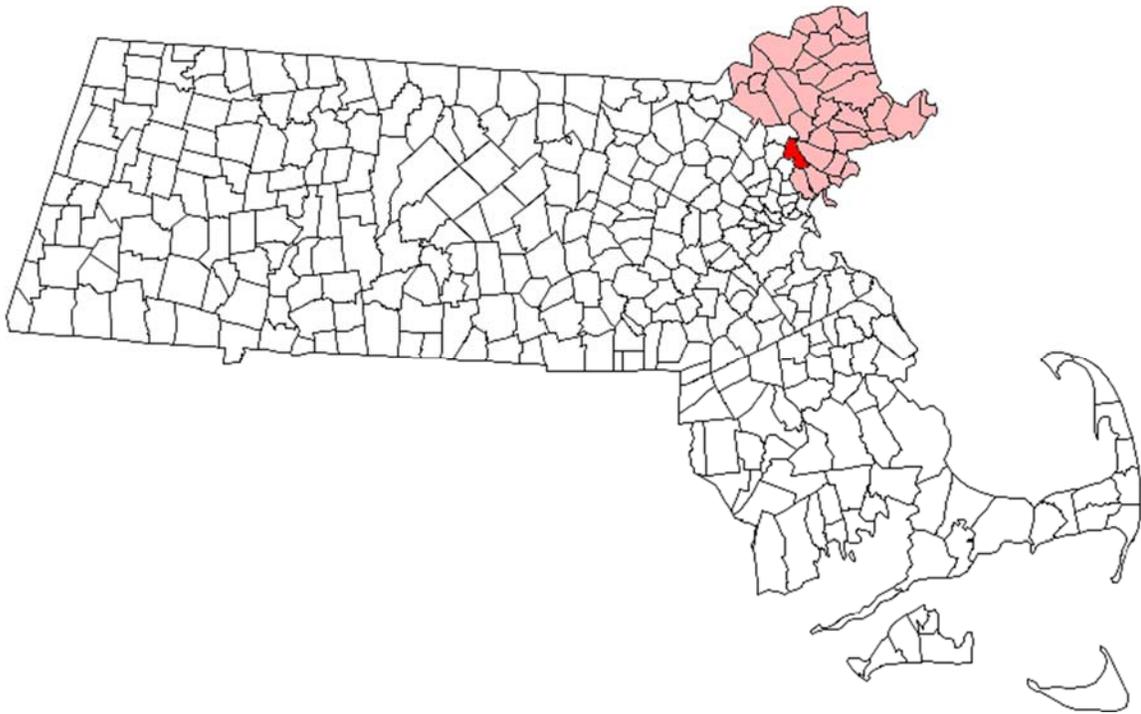


**Town of Lynnfield,  
Massachusetts**

**Principal Executive Officers**

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Expiration of Term</u>
Chairman- Board of Selectmen	Richard Dalton	Elected	3 Years	2019
Vice Chairman- Board of Selectmen	Philip B. Crawford	Elected	3 Years	2018
Clerk- Board of Selectmen	Christopher J. Barrett	Elected	3 Years	2020
Town Administrator/ Director of Finance	Robert Dolan	Appointed	2 Years	2020
Asst. Finance Director/ Town Accountant	Julianne M. McCarthy	Appointed	2 Years	2020
Treasurer/Collector	Christine O'Sullivan	Appointed	Indefinite	2018
Town Clerk	Trudy Reid	Appointed	Indefinite	2018
Assessing Manager	Raymond Boly	Appointed	Indefinite	N/A
Assessor-Chairman	Donald P. Garrity	Elected	3 Years	2021
Assessor	Bonnie Celi	Elected	3 Years	2020
Assessor	Richard J. O'Neil	Elected	3 Years	2019
Fire Chief	Mark Tetreault	Appointed	Indefinite	N/A
Police Chief	David Breen	Appointed	Indefinite	N/A
Public Works Director	John Tomasz	Appointed	indefinite	N/A
School Superintendent	Jane Tremblay	Appointed	indefinite	N/A
School Director of Finance	Thomas Geary	Appointed	indefinite	N/A
Town Moderator	Arthur J. Bourque III	Elected	1 year	2018
Town Counsel	Thomas A. Mullen	Appointed	2 Years	2020

## Geographic Location



**FINANCIAL  
SECTION**



*Sunset at Pillings Pond. – Photo courtesy of Bruce Siegel*

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Lynnfield, Massachusetts

**Additional Offices:**

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **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 Lynnfield, 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**

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting 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.

### **Auditors' 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. 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 auditors' 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 opinions.

## **Opinions**

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 Lynnfield, Massachusetts, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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, and the Pension and OPEB schedules appearing on pages 77 to 80 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 evidence sufficient to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lynnfield, Massachusetts' basic financial statements. The accompanying supplementary information appearing on pages 83 through 93 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the

auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory and Statistical sections are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Melanson Heath*

December 21, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town'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 to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Proprietary funds.** Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for the golf course and emergency medical services operations.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the difference between assets and deferred outflows, and liabilities and deferred inflows, is \$(32,141,546) (i.e., net position), a change of \$(3,155,803) in comparison to the prior year. The deficit balance is primarily due to the unfunded net pension liability and net OPEB liability.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$13,145,273, a change of \$(3,071,687) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,672,751, a change of \$(1,012,182) in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<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	\$ 18,723	\$ 20,115	\$ 716	\$ 622	\$ 19,439	\$ 20,737
Capital assets	<u>76,438</u>	<u>74,621</u>	<u>13,482</u>	<u>13,364</u>	<u>89,920</u>	<u>87,985</u>
Total assets	95,161	94,736	14,198	13,986	109,359	108,722
Deferred outflows of resources	2,952	2,642	-	-	2,952	2,642
Current liabilities	7,586	5,608	754	751	8,340	6,359
Noncurrent liabilities	<u>119,057</u>	<u>83,255</u>	<u>4,539</u>	<u>5,194</u>	<u>123,596</u>	<u>88,449</u>
Total liabilities	126,643	88,863	5,293	5,945	131,936	94,808
Deferred inflows of resources	12,516	991	-	-	12,516	991
Net position:						
Net investment in capital assets	60,053	57,856	8,295	7,548	68,348	65,404
Restricted	6,171	6,579	-	-	6,171	6,579
Unrestricted	<u>(107,270)</u>	<u>(56,911)</u>	<u>610</u>	<u>493</u>	<u>(106,660)</u>	<u>(56,418)</u>
Total net position	<u>\$ (41,046)</u>	<u>\$ 7,524</u>	<u>\$ 8,905</u>	<u>\$ 8,041</u>	<u>\$ (32,141)</u>	<u>\$ 15,565</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(32,141,546), a change of \$(3,155,803) from the prior year.

The largest portion of net position \$68,348,113 reflects our investment in capital assets (e.g., land and construction in progress, land improvements, buildings and improvements, machinery, equipment and furnishings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$6,170,785 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(106,660,444) resulting from unfunded pension and OPEB liabilities (see Notes 20 and 22).

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</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	\$ 3,235	\$ 3,104	\$ 1,699	\$ 1,789	\$ 4,934	\$ 4,893
Operating grants and contributions	12,679	12,295	-	-	12,679	12,295
Capital grants and contributions	622	551	-	-	622	551
General revenues:						
Property taxes	42,874	42,206	-	-	42,874	42,206
Excises	3,670	3,432	-	-	3,670	3,432
Penalties and interest on taxes	655	679	-	-	655	679
Grants and contributions not restricted to specific programs	1,109	1,126	-	-	1,109	1,126
Investment income	57	32	2	-	59	32
Other	193	1,086	-	-	193	1,086
Total revenues	<u>65,094</u>	<u>64,511</u>	<u>1,701</u>	<u>1,789</u>	<u>66,795</u>	<u>66,300</u>
Expenses:						
General government	3,348	3,400	-	-	3,348	3,400
Public safety	6,912	6,346	-	-	6,912	6,346
Education	46,014	46,748	-	-	46,014	46,748
Public works	8,674	8,441	-	-	8,674	8,441
Health and human services	821	828	-	-	821	828
Culture and recreation	1,502	1,497	-	-	1,502	1,497
Interest on long-term debt	514	573	-	-	514	573
Intergovernmental	437	365	-	-	437	365
Golf course	-	-	1,072	1,087	1,072	1,087
Emergency medical services	-	-	676	672	676	672
Total expenses	<u>68,222</u>	<u>68,198</u>	<u>1,748</u>	<u>1,759</u>	<u>69,970</u>	<u>69,957</u>

(continued)

(continued)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
Change in net position before transfers and permanent fund contributions	(3,128)	(3,687)	(47)	30	(3,175)	(3,657)
Transfers in (out)	(911)	(838)	911	838	-	-
Permanent fund contributions	<u>19</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>22</u>
Change in net position	(4,020)	(4,503)	864	868	(3,156)	(3,635)
* Net position - beginning of year, as restated	<u>(37,026)</u> <sup>1</sup>	<u>12,027</u>	<u>8,041</u>	<u>7,173</u>	<u>(28,985)</u>	<u>19,200</u>
Net position - end of year	<u>\$ (41,046)</u>	<u>\$ 7,524</u>	<u>\$ 8,905</u>	<u>\$ 8,041</u>	<u>\$ (32,141)</u>	<u>\$ 15,565</u>

\*Restated from the prior year as described in Note 25.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(4,020,079). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (1,889,946)
Major capital project fund change in fund balance (accrual basis)	(653,322)
Nonmajor funds change in fund balance (accrual basis)	(528,419)
Depreciation expense in excess of principal debt service	(1,419,439)
Other	<u>471,047</u>
Total	<u>\$ (4,020,079)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$864,276. Key elements of this change are as follows:

Golf course operations (after general fund debt service subsidy)	\$ 747,330
Emergency medical services operations	<u>116,946</u>
Total	<u>\$ 864,276</u>

The increase in Golf Course operations resulted primarily because debt service, which was subsidized by the general fund, exceeded depreciation expense.

#### **D. FINANCIAL ANALYSIS OF FUNDS**

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,145,273, a change of \$(3,071,687) in comparison to the prior year. Key elements of this change are as follows:

General fund change in fund balance (explained in more detail below)	\$ (1,889,946)
Major capital project fund change in fund balance	(653,322)
Nonmajor funds change in fund balance	<u>(528,419)</u>
Total	<u>\$ (3,071,687)</u>

The major capital project fund and nonmajor funds changes in fund balance were caused by timing differences, which will reverse in fiscal 2019.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,672,751, while total fund balance was \$7,921,688. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,672,751	\$ 5,684,933	\$ (1,012,182)	8.1%
Total fund balance	\$ 7,921,688	\$ 9,811,634	\$ (1,889,946)	13.8%

The total fund balance of the general fund changed by \$(1,889,947) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 604,915
Expenditures less than budget	857,354
Use of free cash as a funding source	(2,306,426)
Use of overlay surplus as a funding source	(750,000)
Other	<u>(295,790)</u>
Total	<u>\$ (1,889,947)</u>

Major causes of revenue and expenditure budget variances are discussed in Section E. The use of free cash and overlay surplus (both are components of general fund balance) were primarily used for capital-related purposes.

Included in the total general fund balance are the Town's stabilization accounts with the following balances:

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
General stabilization fund	\$ 1,726,518	\$ 1,531,875	\$ 194,643
Capital facilities maintenance fund	1,319,853	1,124,109	195,744
Recreation capital trust fund	<u>244,046</u>	<u>157,656</u>	<u>86,390</u>
Total	<u>\$ 3,290,417</u>	<u>\$ 2,813,640</u>	<u>\$ 476,777</u>

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$609,624, a change of \$116,864 in comparison to the prior year. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$105,508. This change relates to various amendments to supplement the budget where balances were below projected expenditures.

The majority of the revenue surplus related to motor vehicle excises and is a result of the Town's conservative revenue estimate. The largest appropriation turnbacks relate to property/liability insurances and health/life/disability insurances.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$89,453,961 (net of accumulated depreciation). This investment in capital assets includes land and construction in progress, land improvements, buildings and building improvements, machinery, equipment and furnishings, and infrastructure assets.

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

- \$316,123 of construction in progress for various projects.
- \$1,091,186 for various machinery and equipment, including public safety and highway vehicles, and school buses.
- \$2,140,955 for various building improvements, including the outdoor recreational and athletic facilities.

- \$1,422,774 for various road improvements.
- Depreciation expense of \$(3,502,320).

Additional information on capital assets can be found in the Notes to the Financial Statements.

**Credit rating.** As of June 30, 2018, the Town's Standard & Poor's credit rating is AA+/Stable.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$20,210,285, all of which was backed by the full faith and credit of the Town.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

## **REQUESTS FOR INFORMATION**

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

Office of Assistant Finance Director/Town Accountant  
Town of Lynnfield, Massachusetts  
55 Summer Street  
Lynnfield, Massachusetts 01940

## **BASIC FINANCIAL STATEMENTS**



*Jordan Park and Jordan Road Gold Star designation to honor Lt. Jordan, a Lynnfield native who died during the Vietnam war fifty years ago. – Photo courtesy of Bruce Siegel*

TOWN OF LYNNFIELD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 12,948,056	\$ 583,192	\$ 13,531,248
Investments	3,998,889	-	3,998,889
Receivables, net of allowance for uncollectibles:			
Property taxes	509,703	-	509,703
Excises	183,823	-	183,823
User fees	-	133,284	133,284
Departmental and other	12,002	-	12,002
Intergovernmental	1,059,080	-	1,059,080
Betterments	11,479	-	11,479
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	352,859	-	352,859
Betterments	113,476	-	113,476
Capital assets			
Land and construction in progress	8,070,338	12,849,568	20,919,906
Other capital assets, net of accumulated depreciation	67,901,463	632,592	68,534,055
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	2,643,652	-	2,643,652
Related to OPEB	308,686	-	308,686
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>98,113,506</b>	<b>14,198,636</b>	<b>112,312,142</b>
<b>LIABILITIES</b>			
Current:			
Warrants and accounts payable	1,019,423	26,558	1,045,981
Accrued liabilities	744,227	73,533	817,760
Tax refunds payable	1,483,600	-	1,483,600
Notes payable	1,376,000	-	1,376,000
Other current liabilities	708,243	-	708,243
Current portion of long-term liabilities:			
Bonds payable	1,943,106	654,000	2,597,106
Other liabilities	312,232	-	312,232
Noncurrent:			
Bonds payable, net of current portion	13,121,981	4,540,000	17,661,981
Net pension liability	30,083,690	-	30,083,690
Net OPEB liability	75,023,267	-	75,023,267
Other, net of current portion	827,959	-	827,959
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	1,968,022	-	1,968,022
Related to OPEB	10,422,892	-	10,422,892
Other	124,955	-	124,955
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>139,159,597</b>	<b>5,294,091</b>	<b>144,453,688</b>
<b>NET POSITION</b>			
Net investment in capital assets	60,053,192	8,294,921	68,348,113
Restricted for:			
Grants and other statutory restrictions	5,216,341	-	5,216,341
Permanent funds:			
Nonexpendable	923,775	-	923,775
Expendable	30,669	-	30,669
Unrestricted	(107,270,068)	609,624	(106,660,444)
<b>TOTAL NET POSITION</b>	<b>\$ (41,046,091)</b>	<b>\$ 8,904,545</b>	<b>\$ (32,141,546)</b>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	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
<b>Governmental Activities:</b>							
General government	\$ 3,348,278	\$ 284,344	\$ 330,741	\$ -	\$ (2,733,193)	\$ -	\$ (2,733,193)
Public safety	6,911,541	472,791	109,997	-	(6,328,753)	-	(6,328,753)
Education	46,014,983	2,036,760	12,072,981	-	(31,905,242)	-	(31,905,242)
Public works	8,673,638	92,038	97,082	621,626	(7,862,892)	-	(7,862,892)
Health and human services	820,528	98,965	35,352	-	(686,211)	-	(686,211)
Culture and recreation	1,501,844	250,695	32,536	-	(1,218,613)	-	(1,218,613)
Interest	513,806	-	-	-	(513,806)	-	(513,806)
Intergovernmental	437,107	-	-	-	(437,107)	-	(437,107)
Total Governmental Activities	68,221,725	3,235,593	12,678,689	621,626	(51,685,817)	-	(51,685,817)
<b>Business-Type Activities:</b>							
Golf course	1,072,549	974,670	-	-	-	(97,879)	(97,879)
Emergency medical services	675,899	724,432	-	-	-	48,533	48,533
Total Business-Type Activities	1,748,448	1,699,102	-	-	-	(49,346)	(49,346)
Total	\$ 69,970,173	\$ 4,934,695	\$ 12,678,689	\$ 621,626	(51,685,817)	(49,346)	(51,735,163)
<b>General Revenues, Transfers, and Contributions:</b>							
					42,874,531	-	42,874,531
					3,670,019	-	3,670,019
					655,075	-	655,075
					1,108,886	-	1,108,886
					57,069	2,049	59,118
					192,931	-	192,931
					(911,573)	911,573	-
					18,800	-	18,800
Total general revenues, transfers, and contributions					47,665,738	913,622	48,579,360
Change in Net Position					(4,020,079)	864,276	(3,155,803)
<b>Net Position:</b>							
					(37,026,012)	8,040,269	(28,985,743)
					\$ (41,046,091)	\$ 8,904,545	\$ (32,141,546)

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Athletic Facilities Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 8,000,912	\$ 347,083	\$ 4,600,061	\$ 12,948,056
Investments	3,099,000	-	899,889	3,998,889
Receivables:				
Property taxes	949,561	-	-	949,561
Excises	223,437	-	-	223,437
Departmental and other	11,170	-	832	12,002
Intergovernmental	-	-	1,059,080	1,059,080
<b>TOTAL ASSETS</b>	<b>\$ 12,284,080</b>	<b>\$ 347,083</b>	<b>\$ 6,559,862</b>	<b>\$ 19,191,025</b>
<b>LIABILITIES</b>				
Warrants payable	\$ 712,895	\$ 405	\$ 306,123	\$ 1,019,423
Accrued liabilities	536,186	-	-	536,186
Tax refunds payable	1,483,600	-	-	1,483,600
Notes payable	-	1,000,000	376,000	1,376,000
Other liabilities	708,243	-	-	708,243
<b>TOTAL LIABILITIES</b>	<b>3,440,924</b>	<b>1,000,405</b>	<b>682,123</b>	<b>5,123,452</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	921,468	-	832	922,300
<b>FUND BALANCES</b>				
Nonspendable	-	-	923,775	923,775
Restricted	-	-	5,404,333	5,404,333
Committed	1,044,907	-	-	1,044,907
Assigned	2,204,030	-	-	2,204,030
Unassigned	4,672,751	(653,322)	(451,201)	3,568,228
<b>TOTAL FUND BALANCES</b>	<b>7,921,688</b>	<b>(653,322)</b>	<b>5,876,907</b>	<b>13,145,273</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 12,284,080</b>	<b>\$ 347,083</b>	<b>\$ 6,559,862</b>	<b>\$ 19,191,025</b>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET POSITION OF GOVERNMENTAL  
 ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2018

<b>Total governmental fund balances</b>	\$	13,145,273
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>		75,971,801
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>		795,688
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, net OPEB obligation, and net pension liability are not due and payable in the current period; therefore, they are not reported in the governmental funds.</li> </ul>		(121,312,235)
<ul style="list-style-type: none"> <li>• Other</li> </ul>		<u>(9,646,618)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(41,046,091)</u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Athletic Facilities Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 42,758,691	\$ -	\$ -	\$ 42,758,691
Excises	3,643,200	-	-	3,643,200
Penalties, interest and other taxes	71,980	-	17,468	89,448
Payments in lieu of taxes	565,626	-	-	565,626
Charges for services	415,833	-	2,268,894	2,684,727
Intergovernmental	8,592,947	-	2,341,348	10,934,295
Licenses and permits	550,317	-	-	550,317
Fines and forfeitures	67,591	-	-	67,591
Investment income	52,632	-	4,864	57,496
Miscellaneous	123,279	-	607,233	730,512
	<u>56,842,096</u>	<u>-</u>	<u>5,239,807</u>	<u>62,081,903</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
Current:				
General government	2,409,591	1,903,322	80,504	4,393,417
Public safety	5,307,392	-	62,653	5,370,045
Education	30,821,481	-	3,432,251	34,253,732
Public works	8,294,026	-	846,871	9,140,897
Health and human services	561,205	-	57,627	618,832
Culture and recreation	935,947	-	281,640	1,217,587
Employee benefits	6,239,796	-	-	6,239,796
Debt service	2,570,604	-	-	2,570,604
Intergovernmental	437,107	-	-	437,107
	<u>57,577,149</u>	<u>1,903,322</u>	<u>4,761,546</u>	<u>64,242,017</u>
<b>Total Expenditures</b>				
Excess (deficiency) of revenues over expenditures	(735,053)	(1,903,322)	478,261	(2,160,114)
<b>Other Financing Sources (Uses):</b>				
Transfers in	601,967	1,250,000	451,868	2,303,835
Transfers out	<u>(1,756,860)</u>	<u>-</u>	<u>(1,458,548)</u>	<u>(3,215,408)</u>
	<u>(1,154,893)</u>	<u>1,250,000</u>	<u>(1,006,680)</u>	<u>(911,573)</u>
<b>Total Other Financing Sources (Uses)</b>				
Change in fund balance	(1,889,946)	(653,322)	(528,419)	(3,071,687)
Fund Balance, at Beginning of Year as reclassified	<u>9,811,634</u>	<u>-</u>	<u>6,405,326</u>	<u>16,216,960</u>
Fund Balance, at End of Year	<u>\$ 7,921,688</u>	<u>\$ (653,322)</u>	<u>\$ 5,876,907</u>	<u>\$ 13,145,273</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2018

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (3,071,687)</b>																				
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">4,785,135</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,434,829)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and capital leases) provides current financial resources to governmental funds, while the repayment of the the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(165,050)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">2,015,390</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">(197,034)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">164,780</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(545,480)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(3,592,491)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">41,408</td> </tr> </table> </li> <li>• Other differences <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(20,221)</u></td> </tr> </table> </li> </ul>		Capital outlay	4,785,135	Depreciation	(3,434,829)	Issuance of debt	(165,050)	Repayments of debt	2,015,390	Other	(197,034)		164,780	Net pension liability and related deferred outflows and inflows of resources	(545,480)	Net OPEB liability and related deferred outflows and inflows of resources	(3,592,491)	Other	41,408		<u>(20,221)</u>
Capital outlay	4,785,135																				
Depreciation	(3,434,829)																				
Issuance of debt	(165,050)																				
Repayments of debt	2,015,390																				
Other	(197,034)																				
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Other	41,408																				
	<u>(20,221)</u>																				
<b>Change in net position of governmental activities</b>	<b>\$ <u>(4,020,079)</u></b>																				

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 43,486,824	\$ 43,486,824	\$ 43,486,824	\$ -
Excise taxes	3,246,848	3,246,848	3,643,200	396,352
Penalties, interest and other taxes	85,000	85,000	71,980	(13,020)
Payments in lieu of taxes	560,000	560,000	565,626	5,626
Charges for services	410,000	410,000	415,833	5,833
Intergovernmental	5,511,108	5,511,108	5,504,191	(6,917)
Licenses and permits	400,000	400,000	550,317	150,317
Fines and forfeitures	65,000	65,000	67,591	2,591
Investment income	35,000	35,000	63,734	28,734
Miscellaneous	-	-	35,399	35,399
Transfers in	591,967	601,967	601,967	-
Use of free cash	2,210,918	2,306,426	2,306,426	-
Use of overlay surplus	750,000	750,000	750,000	-
<b>Total Revenues and Other Sources</b>	<b>57,352,665</b>	<b>57,458,173</b>	<b>58,063,088</b>	<b>604,915</b>
<b>Expenditures and Other Uses:</b>				
Current:				
General government	2,836,401	2,799,601	2,411,509	388,092
Public safety	5,313,742	5,426,314	5,351,781	74,533
Education	27,438,272	27,498,986	27,494,445	4,541
Public works	8,117,374	8,265,144	8,219,045	46,099
Health and human services	606,043	603,673	574,279	29,394
Culture and recreation	934,923	941,025	930,464	10,561
Employee benefits	6,425,781	6,290,923	5,939,796	351,127
Miscellaneous	275,000	275,000	275,000	-
Debt service	3,498,431	3,450,809	3,450,393	416
Intergovernmental	389,698	389,698	437,107	(47,409)
Transfers out	1,517,000	1,517,000	1,517,000	-
<b>Total Expenditures and Other Uses</b>	<b>57,352,665</b>	<b>57,458,173</b>	<b>56,600,819</b>	<b>857,354</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,462,269	\$ 1,462,269

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Golf Course Fund	Nonmajor Emergency Medical Services Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 189,004	\$ 394,188	\$ 583,192
User fee receivables, net of allowance	-	133,284	133,284
Total current assets	189,004	527,472	716,476
Noncurrent:			
Land and construction in progress	12,849,568	-	12,849,568
Capital assets, net of accumulated depreciation	463,903	168,689	632,592
Total noncurrent assets	13,313,471	168,689	13,482,160
<b>TOTAL ASSETS</b>	13,502,475	696,161	14,198,636
<b>LIABILITIES</b>			
Current:			
Warrants and accounts payable	14,824	11,734	26,558
Accrued liabilities	73,533	-	73,533
Current portion of long-term liabilities:			
Bonds payable	654,000	-	654,000
Total current liabilities	742,357	11,734	754,091
Noncurrent:			
Bonds payable, net of current portion	4,540,000	-	4,540,000
Total noncurrent liabilities	4,540,000	-	4,540,000
<b>TOTAL LIABILITIES</b>	5,282,357	11,734	5,294,091
<b>NET POSITION</b>			
Net investment in capital assets	8,126,232	168,689	8,294,921
Unrestricted	93,886	515,738	609,624
<b>TOTAL NET POSITION</b>	\$ 8,220,118	\$ 684,427	\$ 8,904,545

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds		
	Golf Course Fund	Nonmajor Emergency Medical Services Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 974,670	\$ 724,432	\$ 1,699,102
Total Operating Revenues	974,670	724,432	1,699,102
<b>Operating Expenses:</b>			
Salaries and benefits	568,004	517,965	1,085,969
Other operating expenses	275,685	111,037	386,722
Depreciation	20,594	46,897	67,491
Total Operating Expenses	864,283	675,899	1,540,182
Operating Income	110,387	48,533	158,920
<b>Nonoperating Revenues (Expenses):</b>			
Investment income	636	1,413	2,049
Interest expense	(208,266)	-	(208,266)
Total Nonoperating Revenues (Expenses), Net	(207,630)	1,413	(206,217)
Income (Loss) before transfers	(97,243)	49,946	(47,297)
<b>Transfers:</b>			
Operating transfers in	844,573	67,000	911,573
Total transfers	844,573	67,000	911,573
Change in Net Position	747,330	116,946	864,276
Net Position at Beginning of Year	7,472,788	567,481	8,040,269
Net Position at End of Year	\$ 8,220,118	\$ 684,427	\$ 8,904,545

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities Enterprise Funds	
	Golf Course Fund	Nonmajor Emergency Medical Services Fund
<b><u>Cash Flows From Operating Activities:</u></b>		
Receipts from customers and users	\$ 974,670	\$ 802,585
Payments to employees and vendors	<u>(877,419)</u>	<u>(617,508)</u>
Net Cash Provided By (Used For) Operating Activities	97,251	185,077
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>		
Acquisition of capital assets	(87,310)	(98,593)
Transfers from general fund	844,573	67,000
Principal payments on bonds	(629,000)	-
Interest expense	<u>(208,266)</u>	<u>-</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	(80,003)	(31,593)
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment income	<u>636</u>	<u>1,413</u>
Net Cash Provided By (Used For) Investing Activities	<u>636</u>	<u>1,413</u>
Net Change in Cash and Short-Term Investments	17,884	154,897
Cash and Short-Term Investments, Beginning of Year	<u>171,120</u>	<u>239,291</u>
Cash and Short-Term Investments, End of Year	<u>\$ 189,004</u>	<u>\$ 394,188</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>		
Operating income (loss)	\$ 110,387	\$ 48,533
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	20,594	46,897
Changes in assets and liabilities:		
Accounts receivable	-	78,153
Warrants and accounts payable	(26,423)	11,494
Accrued liabilities	<u>(7,307)</u>	<u>-</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 97,251</u>	<u>\$ 185,077</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	OPEB <u>Trust Fund</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>ASSETS</b>			
Cash and short term investments	\$ 1,828	\$ 8,151	\$ 51,097
Investments:			
Equities	625,734	-	-
Mutual funds	353,517	-	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>81,738</u>
Total Assets	981,079	8,151	132,835
<b>LIABILITIES AND NET POSITION</b>			
Other liabilities	<u>-</u>	<u>-</u>	<u>132,835</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>132,835</u>
<b>NET POSITION</b>			
Restricted for OPEB purposes	981,079	-	-
Restricted for other purposes	<u>-</u>	<u>190,895</u>	<u>-</u>
Total net position held in trust	<u>\$ 981,079</u>	<u>\$ 190,895</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF LYNNFIELD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2018

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ 2,299,825	\$ -
Other	<u>-</u>	<u>15,022</u>
Total contributions	2,299,825	15,022
Investment Income (Loss):		
Interest	<u>46,138</u>	<u>(194)</u>
Net investment income (loss)	<u>46,138</u>	<u>(194)</u>
Total additions	2,345,963	14,828
<b>Deductions:</b>		
Benefit payments to plan members, beneficiaries and other systems	1,999,825	-
Other	<u>-</u>	<u>8,500</u>
Total deductions	<u>1,999,825</u>	<u>8,500</u>
Net increase (decrease)	346,138	6,328
<b>Net position restricted for pensions and other purposes:</b>		
Beginning of year	<u>634,941</u>	<u>184,567</u>
End of year	<u>\$ 981,079</u>	<u>\$ 190,895</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF LYNNFIELD, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Related Organization

The Town has a related organization relationship with Lynnfield Initiative for Elders, Inc. (LIFE), a Massachusetts non-profit corporation organized under Chapter 180 of the Massachusetts General Laws to own, develop, operate, and manage elderly housing units within the Town of Lynnfield. The Town, acting through the Board of Selectmen, is the sole Class A member of LIFE, and as such, has the right to fix the number of LIFE's directors, elect a majority of directors, remove directors, and fill all director vacancies. In addition, the Board of Selectmen must approve LIFE's plans for financing, constructing, and managing real property before they become final. However, the Town is not financially accountable for LIFE because it cannot impose its will and does not have a financial benefit or burden relationship with LIFE, even though it appoints a voting majority of LIFE's governing Board of Directors.

#### C. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or

segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

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

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

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

#### Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Athletic Facilities Improvement* fund is used to account for activity associated with the improvements of the athletic facilities.

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

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

The Town reports the following major proprietary fund:

- The *Golf Course Fund* is used to account for all of the activity associated with the Town's operation of the Reedy Meadow and King Rail Reserve golf courses.

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

The Town reports the following fiduciary funds:

- The *other post-employment benefit trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

*E. Cash and Short-Term Investments*

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

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

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

*F. Investments*

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

Investments for the trust funds consist of certificates of deposits, U.S. government securities, corporate bonds, corporate equities, and mutual funds. Investments are carried at fair value, except certificates of deposit which are reported at cost.

*G. Property Tax Limitations*

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth); unless an override or debt exemption is voted. The actual fiscal year 2018 tax levy reflected an excess capacity of \$27,913.

*H. Capital Assets*

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

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

*I. Compensated Absences*

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

*J. Long-Term Obligations*

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

*K. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure.

Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

**2. Stewardship, Compliance and Accountability**

A. Budgetary Information

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

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

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

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

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 56,842,096	\$ 57,577,149
Other financing sources/uses (GAAP basis)	<u>601,967</u>	<u>1,756,860</u>
Subtotal (GAAP Basis)	57,444,063	59,334,009
Adjust tax revenue to accrual basis	728,132	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,379,243)
Add end-of-year appropriation carryforwards from expenditures	-	1,062,160
To reverse the effect of non-budgeted State contributions	(3,088,756)	(3,088,756)
Record use of free cash	2,306,426	-
Record use of overlay surplus	750,000	-
Reverse the effects of non-budgeted audit adjustments	-	272,649
Reverse the effects of combining general fund and stabilization funds (GASB 54)	<u>(76,777)</u>	<u>400,000</u>
Budgetary basis	<u>\$ 58,063,088</u>	<u>\$ 56,600,819</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2018.

It is anticipated that the deficits in these funds will be eliminated through future grant revenues and bond proceeds.

3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law, Chapter 44, Section 55, limits Town deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town's deposits do not exceed this limitation.

As of June 30, 2018, \$1,163,101 of the Town's bank balance of \$19,196,182 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	Exempt From <u>Disclosure</u>	<u>Aaa</u>	Rating as of <u>Year End</u>		
				<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>
Certificates of deposits	\$ 1,127	\$ 1,127	\$ -	\$ -	\$ -	\$ -
Federal agency securities	2,133	-	2,133	-	-	-
Corporate bonds	512	-	-	148	300	64
Corporate equities	839	839	-	-	-	-
Mutual funds	550	550	-	-	-	-
Total investments	<u>\$ 5,161</u>	<u>\$ 2,516</u>	<u>\$ 2,133</u>	<u>\$ 148</u>	<u>\$ 300</u>	<u>\$ 64</u>

*B. Custodial Credit Risk*

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

All of the Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this risk with SIPC and Excess SIPC coverage.

*C. Concentration of Credit Risk*

The Town places no limit on the amount the Town may invest in any one issuer. The Town did not hold investments in any one issuer representing 5% or more of total investments at June 30, 2018.

*D. Interest Rate Risk*

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
Certificates of deposit	\$ 1,127	\$ 776	\$ 351	\$ -
Federal agency securities	2,133	465	1,668	-
Corporate bonds	512	-	512	-
Corporate equities	839	-	-	839
Mutual funds	550	-	-	550
Total	<u>\$ 5,161</u>	<u>\$ 1,241</u>	<u>\$ 2,531</u>	<u>\$ 1,389</u>

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment.

As of June 30, 2018, the Town had no investments that were directly exposed to foreign currency risk.

*F. Fair Value*

The Town categorizes its fair value measurements within the fair value hierarchy established by *Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72)*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2018 (in thousands):

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Debt securities:			
Federal agencies	\$ 2,133	\$ -	\$ 2,133
Corporate bonds	512	-	512
Equity securities:			
Corporate equities	839	\$ 839	\$ -
Mutual funds	<u>550</u>	\$ 550	\$ -
Total	\$ <u>4,034</u>		

**5. Property Taxes and Excises Receivables**

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

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

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2018 consist of the following:

	<u>Gross Amount (fund basis)</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount (accrual basis)</u>
Real estate taxes	\$ 378,907	\$ (37,891)	\$ 341,016
Personal property taxes	12,263	(5,134)	7,129
Tax liens	54,069	(5,407)	48,662
Tax deferrals	364,079	(36,408)	327,671
Other	<u>140,243</u>	<u>(2,159)</u>	<u>138,084</u>
Total property taxes	<u>\$ 949,561</u>	<u>\$ (86,999)</u>	862,562
Less current portion			<u>509,703</u>
Noncurrent taxes receivable			<u>\$ 352,859</u>
Motor vehicle excise	<u>\$ 223,437</u>	<u>\$ (39,614)</u>	<u>\$ 183,823</u>
Total excises	<u>\$ 223,437</u>	<u>\$ (39,614)</u>	<u>\$ 183,823</u>

## **6. User Fee Receivables**

Receivables for user charges and betterments at June 30, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Emergency Medical Services	<u>\$ 153,154</u>	<u>\$ (19,870)</u>	<u>\$ 133,284</u>
Total	<u>\$ 153,154</u>	<u>\$ (19,870)</u>	<u>\$ 133,284</u>

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2018.

## 8. Interfund Fund Accounts

### Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 601,967	\$ 1,756,860
Major capital project fund	1,250,000	-
Nonmajor Funds:		
Special revenue:		
Receipts reserved	-	552,656
Revolving fund	356,581	789,466
Other	384	116,426
Capital project funds		
Center Farm acquisition	<u>94,903</u>	<u>-</u>
Subtotal - Nonmajor funds	451,868	1,458,548
<u>Business-Type Funds:</u>		
Golf enterprise fund	844,573	-
Emergency medical services enterprise fund	<u>67,000</u>	<u>-</u>
Subtotal - Business-Type funds	<u>911,573</u>	<u>-</u>
Total	<u>\$ 3,215,408</u>	<u>\$ 3,215,408</u>

Most transfers into the general fund reflect annual transfers from various school revolving special revenue funds to reimburse certain general fund expenditures. The majority of transfers out of the general fund were to subsidize the Golf Course Enterprise fund debt service costs for \$844,000 and to finance the Athletic Facility Improvement Capital Project for \$750,000. An additional \$500,000 was transferred from the sale of real estate special revenue fund to the Athletic Facility Improvement Capital Project.

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 1,076	\$ -	\$ -	\$ 1,076
Buildings and improvements	99,552	3,234	-	102,786
Machinery, equipment, and furnishings	15,280	993	-	16,273
Infrastructure	<u>11,981</u>	<u>1,496</u>	<u>-</u>	<u>13,477</u>
Total capital assets, being depreciated	127,889	5,723	-	133,612
Less accumulated depreciation for:				
Land improvements	(791)	(35)	-	(826)
Buildings and improvements	(44,983)	(2,436)	-	(47,419)
Machinery, equipment, and furnishings	(12,562)	(637)	-	(13,199)
Infrastructure	<u>(3,940)</u>	<u>(327)</u>	<u>-</u>	<u>(4,267)</u>
Total accumulated depreciation	<u>(62,276)</u>	<u>(3,435)</u>	<u>-</u>	<u>(65,711)</u>
Total capital assets, being depreciated, net	65,613	2,288	-	67,901
Capital assets, not being depreciated:				
Land	7,768	-	-	7,768
Construction in progress	<u>1,240</u>	<u>228</u>	<u>(1,166)</u>	<u>302</u>
Total capital assets, not being depreciated	<u>9,008</u>	<u>228</u>	<u>(1,166)</u>	<u>8,070</u>
Governmental activities capital assets, net	<u>\$ 74,621</u>	<u>\$ 2,516</u>	<u>\$ (1,166)</u>	<u>\$ 75,971</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 161	\$ -	\$ -	\$ 161
Buildings and improvements	482	-	-	482
Machinery, equipment, and furnishings	<u>827</u>	<u>99</u>	<u>-</u>	<u>926</u>
Total capital assets, being depreciated	1,470	99	-	1,569
Less accumulated depreciation for:				
Land improvements	(17)	(7)	-	(24)
Buildings and improvements	(144)	(12)	-	(156)
Machinery, equipment, and furnishings	<u>(708)</u>	<u>(48)</u>	<u>-</u>	<u>(756)</u>
Total accumulated depreciation	<u>(869)</u>	<u>(67)</u>	<u>-</u>	<u>(936)</u>
Total capital assets, being depreciated, net	601	32	-	633
Capital assets, not being depreciated:				
Land	12,587	-	-	12,587
Construction in progress	<u>175</u>	<u>88</u>	<u>-</u>	<u>263</u>
Total capital assets, not being depreciated	<u>12,762</u>	<u>88</u>	<u>-</u>	<u>12,850</u>
Business-type activities capital assets, net	<u>\$ 13,363</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 13,483</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 422
Public safety	259
Education	2,074
Public works	544
Health and human services	119
Culture and recreation	<u>17</u>
Total depreciation expense - governmental activities	<u>\$ 3,435</u>
Business-Type Activities:	
Golf Course	\$ 20
Emergency Medical Services	<u>47</u>
Total depreciation expense - business-type activities	<u>\$ 67</u>

**10. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

**11. Warrants and Accounts Payable**

Warrants payable represent fiscal 2018 expenditures paid by July 15, 2018. Accounts payable represent additional fiscal 2018 expenditures paid after July 15, 2018.

**12. Accrued Liabilities**

Accrued liabilities consist of amounts accrued at June 30, 2018 for fiscal 2018 employee payrolls, as well as interest accrued on outstanding bonds.

**13. Notes Payable**

The Town had the following note outstanding at June 30, 2018:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/18</u>
Land acquisition	2.60%	06/15/18	06/14/19	\$ 376,000
Athletic facilities	2.00%	06/15/18	06/14/19	<u>1,000,000</u>
Total				<u>\$ 1,376,000</u>

The following summarizes activity in notes payable during fiscal year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Rollover</u>	<u>Paydown</u>	<u>Balance End of Year</u>
Land acquisition	\$ 470,903	\$ -	\$ (376,000)	\$ (94,903)	\$ -
Land acquisition	-	-	376,000	-	376,000
Athletic facilities	-	1,000,000	-	-	1,000,000
Total	<u>\$ 470,903</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ (94,903)</u>	<u>\$ 1,376,000</u>

**14. Other Current Liabilities**

This balance consists primarily of various employee payroll withholdings.

**15. Capital Lease Obligations**

The Town is the lessee of certain equipment under a capital lease expiring in fiscal year 2019. Future minimum lease payments under the capital lease consist of the following as of June 30, 2018:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2019	\$ 59,688
2019	34,983
2020	34,983
2021	<u>34,983</u>
Total minimum lease payments	164,637
Less amounts representing interest	<u>(11,770)</u>
Present Value of Minimum Lease Payments	<u>\$ 152,867</u>

## 16. Long-Term Debt

### A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Septic (MWPAT)	08/01/18	0.00%	\$ 10,095
Fire truck	02/15/19	2.26%	56,000
FY07 capital plan	02/15/24	4.01%	130,000
General obligation bonds	04/01/30	3.00-4.00%	1,515,000
Septic (MWPAT)	07/15/32	0.00%	150,560
Septic (MWPAT)	01/15/33	0.00%	189,630
School bonds	06/15/33	2.75%	1,915,000
Refunded senior center bonds	07/01/21	1.42%	445,000
Refunded school bonds	07/01/22	1.55%	2,925,000
Refunded school bonds	07/01/24	1.79%	3,890,000
Recreation	07/15/34	2.67%	<u>3,790,000</u>
Total Governmental Activities			<u>\$ 15,016,285</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/18</u>
Golf course purchase	02/15/25	4.01%	\$ 1,425,000
Golf course purchase	02/15/25	3.29%	<u>3,769,000</u>
Total Business-Type Activities			<u>\$ 5,194,000</u>

### B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,938,669	\$ 473,964	\$ 2,412,633
2020	1,862,589	402,309	2,264,898
2021	1,837,604	333,024	2,170,628
2022	1,822,619	265,934	2,088,553
2023	1,707,634	189,901	1,897,535
2024 - 2028	3,913,395	545,549	4,458,944
2029 - 2033	1,793,775	135,100	1,928,875
Thereafter	<u>140,000</u>	<u>4,900</u>	<u>144,900</u>
Total	<u>\$ 15,016,285</u>	<u>\$ 2,350,681</u>	<u>\$ 17,366,966</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 654,000	\$ 196,088	\$ 850,088
2020	675,000	174,668	849,668
2021	715,000	151,435	866,435
2022	745,000	125,510	870,510
2023	770,000	96,855	866,855
2024 - 2025	<u>1,635,000</u>	<u>99,270</u>	<u>1,734,270</u>
Total	<u>\$ 5,194,000</u>	<u>\$ 843,826</u>	<u>\$ 6,037,826</u>

The general fund has been designated as the sole source to repay the governmental activities and business-type activities general obligation long-term debt outstanding as of June 30, 2018.

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/17</u>	Additions	Reductions	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 16,976	\$ -	\$ (1,960)	\$ 15,016	\$ (1,939)	\$ 13,077
Unamortized premium	<u>53</u>	<u>-</u>	<u>(4)</u>	<u>49</u>	<u>(4)</u>	<u>45</u>
Subtotal	17,029	-	(1,964)	15,065	(1,943)	13,122
Net pension liability	30,650	-	(566)	30,084	-	30,084
Net OPEB liability	81,745	-	(6,722)	75,023	-	75,023
Other:						
Compensated absences	786	209	(8)	987	(258)	729
Capital leases	<u>43</u>	<u>165</u>	<u>(55)</u>	<u>153</u>	<u>(54)</u>	<u>99</u>
Subtotal - other	<u>829</u>	<u>374</u>	<u>(63)</u>	<u>1,140</u>	<u>(312)</u>	<u>828</u>
Totals	<u>\$ 130,253</u>	<u>\$ 374</u>	<u>\$ (9,315)</u>	<u>\$ 121,312</u>	<u>\$ (2,255)</u>	<u>\$ 119,057</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ <u>5,823</u>	\$ -	\$ (629)	\$ <u>5,194</u>	\$ (654)	\$ <u>4,540</u>
Totals	<u>\$ 5,823</u>	<u>\$ -</u>	<u>\$ (629)</u>	<u>\$ 5,194</u>	<u>\$ (654)</u>	<u>\$ 4,540</u>

The governmental activities liabilities will be liquidated by the general fund. The business-type activities will be liquidated by the subsidies from governmental activities.

**17. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources

related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

## 18. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2018:

**Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

**Restricted** - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue and expendable trust funds, capital projects funded by borrowing and/or grants, and the income portion of permanent trust funds.

**Committed** - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting.

**Assigned** - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and general fund surplus fund balance that has been appropriated as a funding source for the subsequent fiscal period.

**Unassigned** – Represents amounts that are available to spend in future periods. This fund balance classification includes general fund surplus fund balance,

general and capital facility stabilization funds set aside by Town Meeting vote (now reported as part of the general fund per GASB 54), and various special revenue and capital project temporary deficit fund balances.

Following is a breakdown of the Town's fund balances at June 30, 2018:

	General Fund	Athletic Facilities Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Nonexpendable permanent funds:	\$ -	\$ -	\$ 923,775	\$ 923,775
Total Nonspendable	-	-	923,775	923,775
<b>Restricted</b>				
Special revenue funds:				-
Sale of real estate	-	-	1,980,754	1,980,754
MWPAT septic-betterment loan/interest proceeds	-	-	300,396	300,396
Cable/PEG access gift	-	-	826,819	826,819
Community School support	-	-	450,277	450,277
Non-residential tuition revolving	-	-	128,098	128,098
Council on Aging activity	-	-	157,027	157,027
Other	-	-	1,032,496	1,032,496
Expendable trust funds	-	-	340,475	340,475
Capital project funds	-	-	157,322	157,322
Expendable permanent funds	-	-	30,669	30,669
Total Restricted	-	-	5,404,333	5,404,333
<b>Committed</b>				
Article carryforwards	800,861	-	-	800,861
Recreation	244,046	-	-	244,046
Total Committed	1,044,907	-	-	1,044,907
<b>Assigned</b>				
Encumbrances	261,299	-	-	261,299
For expenditures	1,942,731	-	-	1,942,731
Total Assigned	2,204,030	-	-	2,204,030
<b>Unassigned</b>				
General fund	1,626,380	-	-	1,626,380
General stabilization funds	1,726,518	-	-	1,726,518
Capital facilities fund	1,319,853	-	-	1,319,853
Special revenue fund deficits	-	-	(75,201)	(75,201)
Capital project fund deficits	-	(653,322)	(376,000)	(1,029,322)
Total Unassigned	4,672,751	(653,322)	(451,201)	3,568,228
Total Fund Balance	<u>\$ 7,921,688</u>	<u>\$ (653,322)</u>	<u>\$ 5,876,907</u>	<u>\$ 13,145,273</u>

## 19. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraph summarizes the major differences.

Massachusetts General Laws include provisions to allow municipalities to over-expend certain appropriations if they are incurred in an emergency situation and are for the safety of the public. The most common example of such an over-expenditure involves the “snow and ice” appropriation. However, all such over-expenditures must be funded in the subsequent year’s tax rate.

Massachusetts General Laws require that non-property tax revenue budget short-falls, net of appropriation turnbacks, be funded in the subsequent year. The same treatment is also applied to the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay).

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 4,672,751
General stabilization	(1,726,518)
Capital facilities stabilization	(1,319,853)
Appellate tax board cases	1,483,600
Snow and ice deficit	<u>329,729</u>
Statutory (UMAS) Balance	<u>\$ 3,439,709</u>

**20. Essex Regional Retirement System**

The Town follows the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

**A. Plan Description**

Substantially all Town employees (except teachers and administrators under contract employed by the School Department) are members of the Essex Regional Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System, which provides pension benefits, deferred allowances, and death and disability benefits. The System’s authority is established by Chapter 32 of the Massachusetts General Laws, which also govern contribution percentages and benefits paid. The System’s Board of Directors does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports, which are publicly available from the System’s administrative offices located at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025. Reports are also available on the System’s website at [www.essexregional.com](http://www.essexregional.com).

## Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to February 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

## Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members

voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on their contributions.

### Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

### Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town's contribution to the System for the year ended June 30, 2018 was \$2,609,984, which was equal to its annual required contribution.

### *B. Summary of Significant Accounting Policies*

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 System, and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### *C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the Town reported a liability of \$30,083,690 for its proportionate share of the System's 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. The Town's proportion of the net pension liability was based on an actuarially determined projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2017, the Town's proportion was 7.993%.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,155,464. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 425,740
Changes of assumptions	2,469,960	-
Net difference between projected and actual earnings on pension plan investments	-	1,324,525
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>173,692</u>	<u>217,757</u>
Total	<u>\$ 2,643,652</u>	<u>\$ 1,968,022</u>

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

Year ended June 30:

2019	\$ 367,867
2020	397,141
2021	31,764
2022	<u>(121,142)</u>
Total	<u>\$ 675,630</u>

#### D. 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 date that was updated to December 31, 2017:

COLA	3% of the first \$14,000
Salary increases	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years of service
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 mortality table (sex-distinct, healthy employees for actives and healthy annuitants for retirees) projected with scale BB and Generational Mortality. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality is the healthy retiree table ages set forward 2 years.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately 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 net of investment expenses by the target asset allocation percentage and by adding an expected inflation rate of 2.75%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real 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 fund, GTAA, Risk parity	13.00%	3.94%
Private Equity	12.00%	10.28%
Total	<u>100.00%</u>	

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer 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 to current active and inactive 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.

F. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50%) or 1 percentage-point higher (8.50%) than the current rate:

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
\$ 37,848,938	\$ 30,083,690	\$ 23,552,032

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the System’s separately issued financial report.

**21. Massachusetts Teachers’ Retirement System (MTRS)**

A. Plan Description

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*. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report.

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.

B. 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, group creditable service, and group classification. The authority for amending these provisions rests with the State Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 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.

MTRS funding policies have been established by Chapter 32 of the MGL and the State 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.

**C. Contributions**

Member contributions to MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 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 (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

**D. 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:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 Health Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

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

<u>Asset Class</u>	<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%	1.10%
Private equity	11.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.60%
Timber/natural resources	4.00%	3.20%
Hedge funds	0.00%	3.60%
Total	<u>100.00%</u>	

*E. Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member

rates. Based on those assumptions, the 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.

**F. Sensitivity Analysis**

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 28,424,300	\$ 22,885,391	\$ 18,193,400

**G. Special Funding Situation**

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by *GASB Statements No. 68, Accounting and Financial Reporting for Pensions* (GASB 68), and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

**H. Town Proportions**

In fiscal year 2017 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense associated with the Town was \$57,212,889 and \$5,971,476 respectively, based on a proportionate share of 0.249997%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the general fund, and its portion of collective pension expense as both a revenue and expenditure in the governmental activities.

**22. Other Post-Employment Benefits (GASB 75)**

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows

of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Group Insurance Commission (GIC). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	317
Active employees	<u>303</u>
Total	<u><u>620</u></u>

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Investment rate of return	7.00%
Municipal bond rate	3.56%
Discount rate	3.56%
Healthcare cost trend rates	6.50% for 2017
Retirees' share of benefit-related costs	Varies based on plan; 15% HMO plans, 25% PPO plans, 50% indemnity plans, and 15% medicare plans

Mortality rates were based on the RP-2014 Mortality Table that has been modified by removing the MP-2014 projections for years 2007 forward to arrive at a hypothetical “RP-2006” base table. Then this base table is projected from 2006 forward with MP-2017 Generational Projection (M/F).

**C. Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate was based on the municipal bond rate of 3.56% (based on index provided by Fidelity on 20-year municipal bond rate as of June 30, 2017). With minimal Plan assets as a percentage of the liability, target asset allocation and long-term expected rate of return data is not provided as the Town expects to continue to use the 20-year, high-quality municipal bond rate.

**D. Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2017, were as follows:

Total OPEB liability	\$ 75,658,208
Plan fiduciary net position	<u>634,941</u>
Net OPEB liability	<u><u>\$ 75,023,267</u></u>

**E. Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, beginning of year	\$ 82,146,868	\$ 401,886	\$ 81,744,982
Changes for the year:			
Service cost	4,972,243	-	4,972,243
Interest	2,370,457	-	2,370,457
Contributions - employer	-	2,201,110	(2,201,110)
Net investment income and actual experience	-	33,055	(33,055)
Changes in assumptions or other inputs	(1,459,126)	-	(1,459,126)
Benefit payments	<u>(10,371,124)</u>	<u>(2,001,110)</u>	<u>(10,371,124)</u>
Net Changes	<u>(6,488,660)</u>	<u>233,055</u>	<u>(6,721,715)</u>
Balances, end of year	<u><u>\$ 75,658,208</u></u>	<u><u>\$ 634,941</u></u>	<u><u>\$ 75,023,267</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00% in 2015 to 3.56% in 2016 and a change in the mortality from the 2015 Generational Projection in 2015 to the 2017 Generational Projection in 2016.

**F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 88,720,905	\$ 75,023,267	\$ 64,175,486

**G. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 61,934,668	\$ 75,023,267	\$ 92,312,120

**H. 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 an OPEB expense of \$5,893,601. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 300,000	\$ -
Difference between expected and actual experience	-	1,285,544
Change in assumptions	-	9,137,348
Net difference between projected and actual OPEB investment earnings	<u>8,686</u>	<u>-</u>
Total	<u>\$ 308,686</u>	<u>\$ 10,422,892</u>

The \$300,000 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

<u>Year Ended June 30:</u>	
2018	\$ (1,405,187)
2019	(1,405,187)
2020	(1,405,187)
2021	(1,405,185)
2022	(1,407,358)
Thereafter	<u>(3,386,102)</u>
Total	\$ <u>(10,414,206)</u>

**23. Other Post-Employment Benefits (GASB 74)**

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established an OPEB Trust Fund to provide funding for future employee health care costs.

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

**A. Investments**

The OPEB trust fund assets consist of equities, fixed income, real estate, and alternatives.

*Rate of return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 5.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*B. Actuarial Assumptions and Other Inputs*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Investment rate of return	7.00%
Municipal bond rate	3.62%
Discount rate	3.62%
Healthcare cost trend rates	5.50% for 2018
Retirees' share of benefit-related costs	Varies based on plan;; 15% HMO plans, 25% PPO plans, 50% idemnity plans, and 15% medicare plans

Mortality rates were based on the RPH-2014 Mortality Table for healthy employees/annuitants which is projected from 2006 forward MP-2018 Generational Projection (M/F).

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	35.00%	N/A
Fixed income	45.00%	N/A
Alternatives	20.00%	N/A
Total	<u>100.00%</u>	

*C. Discount Rate*

The discount rate used to measure the total OPEB liability was 3.62%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of

current plan members. As a result, the discount rate was based on the municipal bond rate of 3.62% (based on index provided by Fidelity on 20-year municipal bond rate as of June 30, 2018).

*D. Net OPEB Liability*

The components of the net OPEB liability, measured as of June 30, 2018, were as follows:

Total OPEB liability	\$ 77,219,341
Plan fiduciary net position	<u>981,079</u>
Net OPEB liability	<u>\$ 76,238,262</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 1.27%

*E. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 89,948,343	\$ 76,238,262	\$ 65,352,449

*F. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 62,438,546	\$ 76,238,262	\$ 94,521,851

**24. Commitments and Contingencies**

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

**25. Beginning Fund Balance/Net Position Restatement and Reclassification**

The beginning (July 1, 2017) fund balance/net position of the Town has been restated and reclassified as follows:

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 7,524,218
GASB 75 implementation	<u>(44,550,230)</u>
As restated	<u>\$ (37,026,012)</u>

Fund Basis Financial Statements:

	<u>Center Farm Acquisition</u>	<u>Sale of Real Estate</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
As previously reported	\$ (470,903)	\$ 2,480,754	\$ 4,395,475	\$ 6,405,326
Reclassification of prior year major fund	<u>470,903</u>	<u>(2,480,754)</u>	<u>2,009,851</u>	<u>-</u>
As reclassified	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,405,326</u>	<u>\$ 6,405,326</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**



*New Lynnfield Middle School Track and Field Complex completed in the summer of 2018. – Photo courtesy of Eric Hamlin*

**TOWN OF LYNNFIELD, MASSACHUSETTS**  
**SCHEDULE OF PROPORTIONATE SHARE (GASB 68)**  
**OF THE NET PENSION LIABILITY**

**JUNE 30, 2018**  
**(Unaudited)**

Essex Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	December 31, 2017	7.993%	\$30,083,690	\$ 10,519,886	285.97%	55.40%
June 30, 2017	December 31, 2016	7.955%	\$30,649,501	\$ 10,794,272	283.94%	51.12%
June 30, 2016	December 31, 2015	8.020%	\$29,141,294	\$ 9,961,467	292.54%	51.01%
June 30, 2015	December 31, 2014	7.907%	\$26,824,501	\$ 9,568,326	280.35%	52.27%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.249970%	\$ -	\$ 57,212,889	\$ 57,212,889	\$ 16,974,133	-	54.25%
June 30, 2017	June 30, 2016	0.249821%	\$ -	\$ 55,854,804	\$ 55,854,804	\$ 16,432,363	-	52.73%
June 30, 2016	June 30, 2015	0.253662%	\$ -	\$ 51,974,513	\$ 51,974,513	\$ 16,079,350	-	55.38%
June 30, 2015	June 30, 2014	0.251726%	\$ -	\$ 40,015,290	\$ 40,015,290	\$ 15,439,861	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF LYNNFIELD, MASSACHUSETTS

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2018  
(Unaudited)

Essex Regional Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	December 31, 2017	\$ 2,609,984	\$ 2,609,984	\$ -	\$ 10,519,886	24.81%
June 30, 2017	December 31, 2016	\$ 2,418,319	\$ 2,418,319	\$ -	\$ 10,794,272	22.40%
June 30, 2016	December 31, 2015	\$ 2,308,330	\$ 2,308,330	\$ -	\$ 9,961,467	23.17%
June 30, 2015	December 31, 2014	\$ 2,118,002	\$ 2,118,002	\$ -	\$ 9,568,326	22.14%

Massachusetts Teachers' Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 3,088,756	\$ 3,088,756	\$ -	\$ 16,974,133	18.20%
June 30, 2017	June 30, 2016	\$ 2,809,445	\$ 2,809,445	\$ -	\$ 16,432,363	17.10%
June 30, 2016	June 30, 2015	\$ 2,592,252	\$ 2,592,252	\$ -	\$ 16,079,350	16.12%
June 30, 2015	June 30, 2014	\$ 2,359,629	\$ 2,359,629	\$ -	\$ 15,439,861	15.28%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**TOWN OF LYNNFIELD, MASSACHUSETTS  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)**

(Unaudited)

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 4,033,881	\$ 4,972,243
Interest on total OPEB liability	2,655,790	2,370,457
Differences between expected and actual experience	15,920	(1,459,126)
Changes of assumptions	(3,144,633)	(10,371,124)
Benefit payments, including refunds of member contributions	<u>(1,999,825)</u>	<u>(2,001,110)</u>
Net change in total OPEB liability	1,561,133	(6,488,660)
Total OPEB liability - beginning	<u>75,658,208</u>	<u>82,146,868</u>
<b>Total OPEB liability - ending (a)</b>	77,219,341	75,658,208
<b>Plan fiduciary net position</b>		
Contributions - employer	2,299,825	2,201,110
Net investment income	46,138	33,055
Benefit payments, including refunds of member contributions	<u>(1,999,825)</u>	<u>(2,001,110)</u>
Net change in plan fiduciary net position	346,138	233,055
Plan fiduciary net position - beginning	<u>634,941</u>	<u>401,886</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>981,079</u>	<u>634,941</u>
<b>Net OPEB liability (asset) - ending (a-b)</b>	<u>\$ 76,238,262</u>	<u>\$ 75,023,267</u>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF LYNNFIELD, MASSACHUSETTS  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)**

(Unaudited)

**Schedule of Net OPEB Liability**

	<u>2018</u>	<u>2017</u>
Total OPEB liability	\$ 77,219,341	\$ 75,658,208
Plan fiduciary net position	<u>981,079</u>	<u>634,941</u>
Net OPEB liability (asset)	<u>\$ 76,238,262</u>	<u>\$ 75,023,267</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.27%	0.84%
Covered employee payroll	\$ 18,958,000	\$ 18,405,817
Participating employer net OPEB liability as a percentage of covered employee payroll	402.14%	407.61%

**Schedule of Contributions**

	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 8,143,717	\$ 1,784,927
Contributions in relation to the actuarially determined contribution	<u>2,299,825</u>	<u>2,201,110</u>
Contribution deficiency (excess)	<u>\$ 5,843,892</u>	<u>\$ (416,183)</u>
Covered employee payroll	\$ 18,958,000	\$ 18,405,817
Contributions as a percentage of covered employee payroll	12.13%	11.96%

**Schedule of Investment Returns**

	<u>2018</u>	<u>2017</u>
Annual money weighted rate of return, net of investment expense	5.88%	6.59%

*Schedules are intended to show information for 10 years.  
Additional years will be displayed as they become available.*

See notes to Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**SUPPLEMENTARY STATEMENTS  
AND DETAIL SCHEDULES**

## **GENERAL FUND**

The General Fund is established to account for all resources obtained and used for those services commonly provided by the Town, which are not accounted for in any other fund. These services include among other items: general government services, public safety, education, public works, health and human services, and culture and recreation. The primary sources of revenue of the General Fund are: property taxes, excise taxes, unrestricted state revenue sharing grants, certain restricted grants and fees for services rendered.

TOWN OF LYNNFIELD, MASSACHUSETTS

DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
<b>General Government</b>				
Unassigned (prior year bills)	\$ 2,252	\$ 41,711	\$ 41,711	\$ -
Selectmen				
Selectmen's Salaries	2,250	2,250	1,550	700
Town Administrator's Salary	187,537	177,537	176,588	949
Administrative Salary	67,939	79,139	79,081	58
Professional Services	82,000	82,000	62,168	19,832
Pay Rate Increase Fund	50,000	13,317	-	13,317
Property and Liability Insurance	692,416	642,416	500,627	141,789
Other Expenses	196,000	196,000	168,976	27,024
Cable				
Cable Access Salaries	66,321	66,321	66,321	-
Cable Access Expense	20,000	30,045	30,045	-
Cable Access Capital	15,000	14,955	14,955	-
Town Accountant				
Accountant's Salary	114,000	120,000	120,000	-
Clerical Salary	58,179	59,533	57,906	1,627
Expenses	6,505	6,505	4,950	1,555
Town Counsel				
Professional Services	75,000	75,000	49,115	25,885
Expenses Law Books	3,000	3,000	3,000	-
Operations Support				
Salaries	74,020	74,020	46,067	27,953
Expenses	45,400	45,400	42,611	2,789
Information Systems				
Expenses	226,776	226,776	207,020	19,756
Tax Collector				
Collector Expenses	20,450	20,450	10,641	9,809
Senior Tax Work-Off Program	9,000	1,371	1,371	-
Treasurer				
Treasurer's Salaries	183,790	186,790	186,759	31
Treasurer's Expenses	28,740	28,740	21,713	7,027
Town Clerk				
Town Clerk Salaries	119,314	126,168	126,113	55
Clerk Expenses	31,315	31,315	28,803	2,512
Board of Assessors				
Board Salaries	11,500	11,500	11,200	300
Other Salaries	131,793	133,560	133,560	-
Professional Services	41,435	41,435	23,757	17,678
Assessment Update	8,200	8,200	7,662	538
Expenses	11,970	11,970	4,451	7,519
Planning Board				
Salary	48,952	28,952	25,200	3,752
Expenses	4,546	4,546	2,850	1,696
Board of Appeals				
Expenses	2,741	2,741	2,529	212
Conservation Commission				
Salaries	85,082	92,960	92,960	-
Expenses	53,594	53,594	52,992	602
Professional Services	1,545	1,545	781	764
Open Space	1,545	1,545	1,046	499
Personnel Board				
Salary	2,874	2,874	950	1,924
Professional Services	2,870	2,870	-	2,870
Expenses	330	330	250	80
Finance Committee				
Salary	3,000	3,000	1,220	1,780
Expenses	420	420	210	210
Finance Committee Report	1,800	1,800	1,800	-
Reserve Fund	45,000	45,000	-	45,000
<b>Total General Government</b>	<u>2,836,401</u>	<u>2,799,601</u>	<u>2,411,509</u>	<u>388,092</u>

(continued)

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>				
Police				
Chiefs Salary (including holidays)	182,629	187,629	187,050	579
Other Salaries (including holidays)	2,093,942	2,130,640	2,130,640	-
Officers' Overtime	584,375	584,375	584,375	-
Officers Training	127,955	127,955	127,955	-
Other Expenses	370,642	370,642	370,307	335
Fire				
Chiefs Salary (including holidays)	117,306	117,306	114,918	2,388
Full-time Salaries (including holidays)	801,544	831,544	822,787	8,757
Call Dept. Salaries	463,132	503,132	467,671	35,461
Fire Alarm Salaries	14,283	14,407	14,407	-
Fire Dept. Expenses	280,194	280,194	265,418	14,776
Fire Alarm Expenses	8,918	8,918	7,524	1,394
Division of Zoning & Inspection				
Other Salaries	75,800	76,550	71,724	4,826
Professional Services	152,695	152,695	152,695	-
Expenses	11,211	11,211	6,791	4,420
Emergency Management				
Other Salaries	250	250	250	-
Expenses	1	1	1	-
Animal Control Officer				
Dog Officer's Salary	27,011	27,011	26,351	660
Expenses	1,854	1,854	917	937
<b>Total Public Safety</b>	<b>5,313,742</b>	<b>5,426,314</b>	<b>5,351,781</b>	<b>74,533</b>
<b>Education</b>				
School Operating	24,455,038	24,455,038	24,452,759	2,279
School Health Insurance	2,644,488	2,719,488	2,717,226	2,262
School Vocational Assessment	338,746	324,460	324,460	-
<b>Total Education</b>	<b>27,438,272</b>	<b>27,498,986</b>	<b>27,494,445</b>	<b>4,541</b>
<b>Public Works</b>				
Administration				
Director Salary	128,125	128,125	128,125	-
Other Salaries	401,149	401,149	391,250	9,899
Motor Fuel/Oil	134,000	114,000	100,445	13,555
Other Expenses	34,500	29,055	29,055	-
Highway				
Salaries	917,792	940,592	864,413	76,179
Expenses	1,318,620	1,278,620	1,254,036	24,584
Sidewalk Construction & Maint.				
Expenses	25,000	25,000	25,000	-
Snow and Ice Removal				
Salaries and Expenses	120,000	308,000	586,901	(278,901)
Street Lighting				
Expenses	180,000	163,490	162,647	843
Rubbish Collection				
Expenses	852,400	852,400	789,563	62,837
School Maintenance and Buses				
Salaries	1,089,454	1,051,654	1,013,649	38,005
Energy Supply	724,000	724,000	668,215	55,785
Expenses	1,515,450	1,570,450	1,556,434	14,016
Town Building Maintenance				
Salaries	245,384	250,384	244,970	5,414
Expenses	431,500	428,225	404,342	23,883
<b>Total Public Works</b>	<b>8,117,374</b>	<b>8,265,144</b>	<b>8,219,045</b>	<b>46,099</b>

(continued)

(continued)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<b><u>Health and Human Services</u></b>				
Board of Health				
Other Salaries	87,699	88,699	87,194	1,505
Expenses	40,304	40,304	34,505	5,799
Council on Aging				
Salary	320,977	322,977	301,069	21,908
Expenses	106,949	101,316	101,218	98
Veterans' Services				
Director's Salary	10,664	10,927	10,926	1
Expenses	15,800	15,800	15,717	83
Veterans Benefits	23,650	23,650	23,650	-
<b>Total Health and Human Services</b>	<b>606,043</b>	<b>603,673</b>	<b>574,279</b>	<b>29,394</b>
<b><u>Culture and Recreation</u></b>				
Library				
Director's Salary	88,961	94,063	94,063	-
Other Salaries	523,666	523,666	522,092	1,574
Expenses	232,714	232,714	232,714	-
Recreation Commission				
Salaries	69,000	70,000	70,000	-
Expenses	4,672	4,672	4,672	-
Historical Commission				
Expenses	15,910	15,910	6,923	8,987
<b>Total Culture and Recreation</b>	<b>934,923</b>	<b>941,025</b>	<b>930,464</b>	<b>10,561</b>
<b><u>Employee Benefits and Unclassified</u></b>				
Pension Contributions	2,609,984	2,609,984	2,609,984	-
Town Health/Life/Disability Insurance	3,085,976	2,986,118	2,691,536	294,582
Medicare - F.I.C.A.	485,000	485,000	447,098	37,902
Workers' Compensation Insurance	198,174	188,174	183,038	5,136
Other	5,047	5,047	1,424	3,623
Unemployment Compensation	41,600	16,600	6,716	9,884
<b>Total Employee Benefits</b>	<b>6,425,781</b>	<b>6,290,923</b>	<b>5,939,796</b>	<b>351,127</b>
<b><u>Miscellaneous</u></b>				
Prior Year Snow and Ice Deficit	275,000	275,000	275,000	-
<b>Total Miscellaneous</b>	<b>275,000</b>	<b>275,000</b>	<b>275,000</b>	<b>-</b>
<b><u>Debt Service</u></b>				
Short-term Interest	31,899	8,399	7,983	416
Long-term Principal Payment	611,559	601,903	601,903	-
Long-term Interest	198,950	184,484	184,484	-
Long-term Principal Debt Exclusion	2,049,000	2,049,000	2,049,000	-
Long-term Interest Debt Exclusion	574,367	574,367	574,367	-
Septic Loan Program	32,656	32,656	32,656	-
<b>Total Debt Service</b>	<b>3,498,431</b>	<b>3,450,809</b>	<b>3,450,393</b>	<b>416</b>
<b><u>Intergovernmental</u></b>				
State and County Assessments	389,698	389,698	437,107	(47,409)
<b><u>Transfers Out</u></b>				
Transfer to OPEB Trust	300,000	300,000	300,000	-
Transfer to Stabilization	400,000	400,000	400,000	-
Transfer to Capital Project Funds	750,000	750,000	750,000	-
Transfer to EMS Enterprise Fund	67,000	67,000	67,000	-
<b>Total Transfers Out</b>	<b>1,517,000</b>	<b>1,517,000</b>	<b>1,517,000</b>	<b>-</b>
Total Expenditures and Other Financing Uses	<b>\$ 57,352,665</b>	<b>\$ 57,458,173</b>	<b>\$ 56,600,819</b>	<b>\$ 857,354</b>

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## **Combining Financial Statements**

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for certain revenue generating activities that are legally and/or programmatically restricted to expenditures for a specified purpose. From the Town's financial ledgers, these activities can be distinctly categorized into the following groupings:

- Receipts Reserved: To account for Town funds that have been received receipts from specific sources to be appropriated separately.
- Revolving Funds: To account for the Town's within revolving funds established in accordance with MGL Chapter 44, Section 53E ½, Chapter 71 and other applicable statutes.
- School Lunch: To account for the School Department's School Lunch Program.
- Town Grants: To account for Town grant programs.
- School Grants: To account for educational-based grant programs.
- Other Special Revenue Funds: To account for other miscellaneous special revenue accounts which relate to Town and educational-based activities.

### **CAPITAL PROJECT FUNDS**

Capital Project Funds are used to account for the overall financial activities related to the acquisition, renovation, or construction of significant capital assets, excluding those associated with business-type funds. Significant project activities can be categorized as:

- Center Farm Acquisition: To account for activity associated with the purchase of 567 Main street
- Outdoor Recreation and Athletic Fields: To account for the activity associated with the construction of outdoor recreation and athletic fields.
- Capital Equipment: To account for various equipment acquisitions to various Town activities.
- Other Capital Projects: To fund accounts for various Town activities.

## PERMANENT FUNDS

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

- Permanent Fund: To account for the principal received for perpetual care and related interest. The interest income is used to maintain community cemetery. It is also used to account for the various other bequests to the Town designated for particular purposes.

TOWN OF LYNNFIELD, MASSACHUSETTS

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds						Subtotals
	Receipts Reserved	Revolving Funds	School Lunch	Town Grants	School Grants	Other Special Revenues	
<u>ASSETS</u>							
Cash and short-term investments	\$ 2,405,770	\$ 1,226,823	\$ 55,474	\$ (342,451)	\$ (438,814)	\$ 1,458,079	\$ 4,364,881
Investments	-	-	-	-	-	968	968
Departmental and other receivables	832	-	-	-	-	-	832
Intergovernmental receivables	-	-	24,485	621,626	412,969	-	1,059,080
Total Assets	<u>\$ 2,406,602</u>	<u>\$ 1,226,823</u>	<u>\$ 79,959</u>	<u>\$ 279,175</u>	<u>\$ (25,845)</u>	<u>\$ 1,459,047</u>	<u>\$ 5,425,761</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
Liabilities:							
Warrants and accounts payable	\$ -	\$ 43,667	\$ 19,551	\$ 201,363	\$ 2,765	\$ 16,443	\$ 283,789
Notes Payable	-	-	-	-	-	-	-
Total Liabilities	-	43,667	19,551	201,363	2,765	16,443	283,789
Deferred Inflows of Resources	832	-	-	-	-	-	832
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	2,405,770	1,183,156	60,408	120,858	3,545	1,442,604	5,216,341
Unassigned	-	-	-	(43,046)	(32,155)	-	(75,201)
Total Fund Balances	<u>2,405,770</u>	<u>1,183,156</u>	<u>60,408</u>	<u>77,812</u>	<u>(28,610)</u>	<u>1,442,604</u>	<u>5,141,140</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,406,602</u>	<u>\$ 1,226,823</u>	<u>\$ 79,959</u>	<u>\$ 279,175</u>	<u>\$ (25,845)</u>	<u>\$ 1,459,047</u>	<u>\$ 5,425,761</u>

Capital Project Funds					Permanent Trust Fund	Total Nonmajor Governmental Funds
Center Farm Acquisition	Outdoor Recreation and Athletic Fields	Capital Equipment	Other Capital Projects	Subtotal		
\$ -	\$ 31,591	\$ 112,057	\$ 36,008	\$ 179,656	\$ 55,524	\$ 4,600,061
-	-	-	-	-	898,921	899,889
-	-	-	-	-	-	832
-	-	-	-	-	-	1,059,080
<u>\$ -</u>	<u>\$ 31,591</u>	<u>\$ 112,057</u>	<u>\$ 36,008</u>	<u>\$ 179,656</u>	<u>\$ 954,445</u>	<u>\$ 6,559,862</u>
\$ -	\$ -	\$ 22,334	\$ -	\$ 22,334	\$ -	\$ 306,123
<u>376,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,000</u>	<u>-</u>	<u>376,000</u>
376,000	-	22,334	-	398,334	-	682,123
-	-	-	-	-	-	832
-	-	-	-	-	923,775	923,775
-	31,591	89,723	36,008	157,322	30,670	5,404,333
<u>(376,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(376,000)</u>	<u>-</u>	<u>(451,201)</u>
<u>(376,000)</u>	<u>31,591</u>	<u>89,723</u>	<u>36,008</u>	<u>(218,678)</u>	<u>954,445</u>	<u>5,876,907</u>
<u>\$ -</u>	<u>\$ 31,591</u>	<u>\$ 112,057</u>	<u>\$ 36,008</u>	<u>\$ 179,656</u>	<u>\$ 954,445</u>	<u>\$ 6,559,862</u>

TOWN OF LYNNFIELD, MASSACHUSETTS

Combining Statement of Revenues, Expenditures  
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	Special Revenue Funds						Subtotal
	Receipts Reserved	Revolving Funds	School Lunch	Town Grants	School Grants	Other Special Revenues	
<b>Revenues:</b>							
Penalties, interest and other taxes	\$ 17,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,468
Charges for services	4,602	1,549,948	708,274	-	-	6,070	2,268,894
Intergovernmental	-	4,600	172,123	765,537	1,399,088	-	2,341,348
Investment income	-	306	184	-	-	5,300	5,790
Miscellaneous	17,150	110,069	-	-	-	459,400	586,619
<b>Total Revenues</b>	<b>39,220</b>	<b>1,664,923</b>	<b>880,581</b>	<b>765,537</b>	<b>1,399,088</b>	<b>470,770</b>	<b>5,220,119</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	-	46,036	-	1,209	-	33,259	80,504
Public safety	-	3,001	-	52,045	-	7,607	62,653
Education	-	979,821	917,835	-	1,413,568	121,027	3,432,251
Public works	-	46,474	-	622,626	-	2,875	671,975
Health and human services	-	27,543	-	29,148	-	936	57,627
Culture and recreation	-	266,574	-	3,031	-	8,182	277,787
<b>Total Expenditures</b>	<b>-</b>	<b>1,369,449</b>	<b>917,835</b>	<b>708,059</b>	<b>1,413,568</b>	<b>173,886</b>	<b>4,582,797</b>
Excess (deficiency) of revenues over (under) expenditures	39,220	295,474	(37,254)	57,478	(14,480)	296,884	637,322
<b>Other Financing Sources (Uses):</b>							
Transfers in	-	356,581	-	-	-	384	356,965
Transfers out	(552,656)	(789,466)	-	-	-	(116,426)	(1,458,548)
<b>Total Other Financing Sources (Uses)</b>	<b>(552,656)</b>	<b>(432,885)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(116,042)</b>	<b>(1,101,583)</b>
<b>Net change in fund balances</b>	<b>(513,436)</b>	<b>(137,411)</b>	<b>(37,254)</b>	<b>57,478</b>	<b>(14,480)</b>	<b>180,842</b>	<b>(464,261)</b>
<b>Fund Balances, beginning of year</b>	<b>2,919,206</b>	<b>1,320,567</b>	<b>97,662</b>	<b>20,334</b>	<b>(14,130)</b>	<b>1,261,762</b>	<b>5,605,401</b>
<b>Fund Balances, end of year</b>	<b>\$ 2,405,770</b>	<b>\$ 1,183,156</b>	<b>\$ 60,408</b>	<b>\$ 77,812</b>	<b>\$ (28,610)</b>	<b>\$ 1,442,604</b>	<b>\$ 5,141,140</b>

Capital Project Funds					Permanent Trust Fund	Total Nonmajor Governmental Funds
Center Farm Acquisition	Outdoor Recreation and Athletic Fields	Capital Equipment	Other Capital Projects	Subtotal		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,468
-	-	-	-	-	-	2,268,894
-	-	-	-	-	-	2,341,348
-	-	-	-	-	(926)	4,864
-	-	-	-	-	20,614	607,233
-	-	-	-	-	19,688	5,239,807
-	-	-	-	-	-	80,504
-	-	-	-	-	-	62,653
-	-	-	-	-	-	3,432,251
-	-	174,896	-	174,896	-	846,871
-	-	-	-	-	-	57,627
-	-	-	-	-	3,853	281,640
-	-	174,896	-	174,896	3,853	4,761,546
-	-	(174,896)	-	(174,896)	15,835	478,261
94,903	-	-	-	94,903	-	451,868
-	-	-	-	-	-	(1,458,548)
94,903	-	-	-	94,903	-	(1,006,680)
94,903	-	(174,896)	-	(79,993)	15,835	(528,419)
(470,903)	31,591	264,619	36,008	(138,685)	938,610	6,405,326
<u>\$ (376,000)</u>	<u>\$ 31,591</u>	<u>\$ 89,723</u>	<u>\$ 36,008</u>	<u>\$ (218,678)</u>	<u>\$ 954,445</u>	<u>\$ 5,876,907</u>

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**STATISTICAL  
SECTION**



*Lynnfield Public Library, located on Summer Street across from the Town Common. – Photo courtesy of Eric Hamlin*

# TOWN OF LYNNFIELD, MASSACHUSETTS

## STATISTICAL SECTION

The Town of Lynnfield's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	98 - 102
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	103 - 105
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	106 - 108
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	109 - 110
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	111 - 113

Town of Lynnfield, Massachusetts  
Net Position by Component  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Government Activity</b>										
Net investment in capital assets	\$ 53,934,701	\$ 53,300,226	\$ 52,577,993	\$ 52,745,223	\$ 52,661,247	\$ 54,316,789	\$ 55,339,766	\$ 56,794,478	\$ 57,855,878	\$ 60,053,192
Restricted	4,386,199	4,783,834	3,097,762	3,754,482	4,515,269	4,968,768	6,587,689	6,444,293	6,578,942	6,170,785
Unrestricted	(2,759,486)	(6,223,247)	(7,914,040)	(12,266,289)	(13,462,910)	(16,217,913)	(45,575,899)	(51,210,626)	(56,910,602)	(107,270,068)
Total governmental activities net position	\$ 55,561,414	\$ 51,860,813	\$ 47,761,715	\$ 44,233,416	\$ 43,713,606	\$ 43,067,644	\$ 16,351,556	\$ 12,028,145	\$ 7,524,218	\$ (41,046,091)
<b>Business-type Activities</b>										
Net investment in capital assets	\$ 2,151,420	\$ 2,587,713	\$ 3,049,986	\$ 3,513,689	\$ 4,976,433	\$ 5,476,229	\$ 6,360,015	\$ 6,936,101	\$ 7,547,509	\$ 8,294,921
Restricted	9,950	-	-	-	-	-	-	-	-	-
Unrestricted	105,574	210,670	224,097	274,798	215,013	158,798	62,255	236,738	492,760	609,624
Total business-type activities net position	\$ 2,266,944	\$ 2,798,383	\$ 3,274,083	\$ 3,788,487	\$ 5,191,446	\$ 5,635,027	\$ 6,422,270	\$ 7,172,839	\$ 8,040,269	\$ 8,904,545
<b>Primary Government</b>										
Net investment in capital assets	\$ 56,086,121	\$ 55,887,939	\$ 55,627,979	\$ 56,258,912	\$ 57,637,680	\$ 59,793,018	\$ 61,699,781	\$ 63,730,579	\$ 65,403,387	\$ 68,348,113
Restricted	4,396,149	4,783,834	3,097,762	3,754,482	4,515,269	4,968,768	6,587,689	6,444,293	6,578,942	6,170,785
Unrestricted	(2,653,912)	(6,012,577)	(7,689,943)	(11,991,491)	(13,247,897)	(16,059,115)	(45,513,644)	(50,973,888)	(56,417,842)	(106,660,444)
Total primary government net position	\$ 57,828,358	\$ 54,659,196	\$ 51,035,798	\$ 48,021,903	\$ 48,905,052	\$ 48,702,671	\$ 22,773,826	\$ 19,200,984	\$ 15,564,487	\$ (32,141,546)

Data source: Audited financial statements

Town of Lynnfield, Massachusetts  
Changes in Net Position  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
General government	\$ 1,719,401	\$ 1,803,277	\$ 1,735,600	\$ 1,735,254	\$ 1,961,343	\$ 2,080,661	\$ 2,647,269	\$ 2,472,962	\$ 3,399,507	\$ 3,348,278
Public safety	4,024,430	4,330,831	4,415,177	4,632,068	4,706,569	4,968,269	4,423,705	4,669,749	6,345,717	6,911,541
Education	27,423,031	28,591,568	29,246,944	30,897,062	31,409,770	32,142,504	31,375,172	34,187,292	46,749,239	46,014,983
Public works	5,661,554	5,716,385	6,089,717	5,527,382	6,034,878	6,585,036	6,634,587	6,782,767	8,441,244	8,673,638
Health and human services	512,820	651,153	595,093	535,067	547,131	572,096	587,958	599,228	828,016	820,528
Cultural and recreation	810,569	840,126	802,056	827,293	845,631	908,344	1,069,362	1,290,029	1,496,611	1,501,844
Interest	992,873	856,282	807,531	742,445	915,256	607,393	713,244	612,107	573,441	513,806
Employee benefits	8,462,418	7,704,380	7,962,133	8,209,486	8,161,277	9,015,854	9,175,205	11,820,997	*	*
Intergovernmental	289,895	315,836	331,518	375,678	400,171	398,616	372,449	375,413	364,845	437,107
<b>Total governmental activities expenses</b>	<b>49,896,991</b>	<b>50,809,838</b>	<b>51,985,769</b>	<b>53,481,735</b>	<b>54,982,026</b>	<b>57,278,773</b>	<b>56,998,951</b>	<b>62,810,544</b>	<b>68,198,620</b>	<b>68,221,725</b>
<b>Business-type Activities</b>										
Golf course operations	1,074,381	1,218,096	1,102,541	977,570	887,200	880,903	888,400	1,036,636	1,087,534	1,072,549
Emergency Medical Service operations	-	-	-	-	-	-	689,061	707,679	672,727	675,899
<b>Total business-type activities expenses</b>	<b>1,074,381</b>	<b>1,218,096</b>	<b>1,102,541</b>	<b>977,570</b>	<b>887,200</b>	<b>880,903</b>	<b>1,577,461</b>	<b>1,744,315</b>	<b>1,760,261</b>	<b>1,748,448</b>
<b>Total primary government expenses</b>	<b>\$ 50,971,372</b>	<b>\$ 52,027,934</b>	<b>\$ 53,088,310</b>	<b>\$ 54,459,305</b>	<b>\$ 55,869,226</b>	<b>\$ 58,159,676</b>	<b>\$ 58,576,412</b>	<b>\$ 64,554,859</b>	<b>\$ 69,958,881</b>	<b>\$ 69,970,173</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges for services:										
General government	\$ 259,777	\$ 228,064	\$ 254,231	\$ 193,305	\$ 212,698	\$ 274,134	\$ 277,559	\$ 304,475	\$ 270,014	\$ 284,344
Public safety	887,892	828,410	910,626	981,583	999,297	1,137,462	360,303	390,131	372,131	472,791
Education	1,820,962	1,791,301	1,941,927	2,130,533	2,066,267	2,169,241	2,317,372	2,235,281	2,041,251	2,036,760
Public works	79,796	90,066	98,593	114,858	118,060	78,310	111,057	123,456	85,232	92,038
Health and human services	60,975	108,547	141,122	158,743	155,707	92,196	102,351	96,670	96,797	98,965
Cultural and recreation	46,673	45,290	53,127	83,970	122,358	103,152	161,237	322,334	238,159	250,695
Operating grants and contributions	9,488,551	9,795,167	9,755,709	9,951,771	10,721,726	10,735,791	9,000,984	10,401,336	12,295,036	12,678,689
Capital grants and contributions	625,826	202,651	360,766	402,551	1,761,586	602,081	534,181	423,191	550,612	621,626
<b>Total government activities program revenues</b>	<b>13,270,452</b>	<b>13,089,496</b>	<b>13,516,101</b>	<b>14,017,314</b>	<b>16,157,699</b>	<b>15,192,367</b>	<b>12,865,044</b>	<b>14,296,874</b>	<b>15,949,232</b>	<b>16,535,908</b>
<b>Business-type Activities</b>										
Charges for services:										
Golf course operations	918,140	958,940	885,746	692,034	507,443	509,133	530,043	733,527	878,376	974,670
Emergency Medical Service operations	-	-	-	-	-	-	612,764	711,668	910,870	724,432
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total business - type activities revenues</b>	<b>918,140</b>	<b>958,940</b>	<b>885,746</b>	<b>692,034</b>	<b>507,443</b>	<b>509,133</b>	<b>1,142,807</b>	<b>1,445,195</b>	<b>1,789,246</b>	<b>1,699,102</b>
<b>Total primary government revenues</b>	<b>\$ 14,188,592</b>	<b>\$ 14,048,436</b>	<b>\$ 14,401,847</b>	<b>\$ 14,709,348</b>	<b>\$ 16,665,142</b>	<b>\$ 15,701,500</b>	<b>\$ 14,007,851</b>	<b>\$ 15,742,069</b>	<b>\$ 17,738,478</b>	<b>\$ 18,235,010</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$(36,626,539)	\$(37,720,342)	\$(38,469,668)	\$(39,464,421)	\$(38,824,327)	\$(42,086,406)	\$(44,133,907)	\$(48,513,670)	\$(52,249,388)	\$(51,685,817)
Business-type activities	(156,241)	(259,156)	(216,795)	(285,536)	(379,757)	(371,770)	(434,654)	(299,120)	28,985	(49,346)
<b>Total primary government net (expense)</b>	<b>\$(36,782,780)</b>	<b>\$(37,979,498)</b>	<b>\$(38,686,463)</b>	<b>\$(39,749,957)</b>	<b>\$(39,204,084)</b>	<b>\$(42,458,176)</b>	<b>\$(44,568,561)</b>	<b>\$(48,812,790)</b>	<b>\$(52,220,403)</b>	<b>\$(51,735,163)</b>

Data source: Audited financial statements

(continued)

\* Beginning in FY16 the employee benefits have been allocated to the various function based on a % of total salaries and wages

Town of Lynnfield, Massachusetts  
Changes in Net Position  
Last Ten Fiscal Years

continued:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Real estate and personal property-net of refunds payable	\$ 27,667,147	\$ 30,687,208	\$ 31,274,162	\$ 32,613,283	\$ 33,859,481	\$ 35,530,602	\$ 38,861,219	\$ 40,121,435	\$ 42,206,263	\$ 42,874,531
Excise tax	1,888,703	1,866,582	2,010,033	1,983,946	2,282,217	2,586,452	3,226,540	3,405,622	3,431,592	3,670,019
Penalties, interest, and other taxes	421,335	414,189	484,069	533,685	467,777	551,830	608,955	667,345	678,974	655,075
Grants, contributions - not restricted to specific programs	1,350,015	1,059,739	1,217,140	1,010,482	1,021,952	1,011,292	1,042,971	1,078,400	1,126,084	1,108,886
Investment income	44,574	13,312	20,906	39,668	4,203	20,617	11,060	50,026	32,409	57,069
Contributions and miscellaneous	989,703	768,253	55,579	554,396	1,482,204	2,654,325	1,814,532	116,625	1,107,906	211,731
Transfers	(777,028)	(789,542)	(691,318)	(799,338)	(813,317)	(914,674)	(919,953)	(1,249,194)	(837,767)	(911,573)
<b>Total government activities</b>	<b>31,584,449</b>	<b>34,019,741</b>	<b>34,370,571</b>	<b>35,936,122</b>	<b>38,304,517</b>	<b>41,440,444</b>	<b>44,645,324</b>	<b>44,190,259</b>	<b>47,745,461</b>	<b>47,665,738</b>
Business-type activities										
Investment income	67,279	1,053	1,177	602	969,399	677	493	495	678	2,049
Transfers	777,028	789,542	691,318	799,338	813,317	814,674	819,953	1,049,194	837,767	911,573
<b>Total business type activities</b>	<b>844,307</b>	<b>790,595</b>	<b>692,495</b>	<b>799,940</b>	<b>1,782,716</b>	<b>815,351</b>	<b>820,446</b>	<b>1,049,689</b>	<b>838,445</b>	<b>913,622</b>
<b>Total primary government</b>	<b>\$ 32,428,756</b>	<b>\$ 34,810,336</b>	<b>\$ 35,063,066</b>	<b>\$ 36,736,062</b>	<b>\$ 40,087,233</b>	<b>\$ 42,255,795</b>	<b>\$ 45,465,770</b>	<b>\$ 45,239,948</b>	<b>\$ 48,583,906</b>	<b>\$ 48,579,360</b>
Changes in Net Position										
Governmental activities	\$ (5,042,090)	\$ (3,700,601)	\$ (4,099,097)	\$ (3,528,299)	\$ (519,810)	\$ (645,962)	\$ 511,417	\$ (4,323,411)	\$ (4,503,927)	\$ (4,020,079)
Business-type activities	688,066	531,439	475,700	514,404	1,402,959	443,581	385,792	750,569	867,430	864,276
<b>Total primary government changes in net position</b>	<b>\$ (4,354,024)</b>	<b>\$ (3,169,162)</b>	<b>\$ (3,623,397)</b>	<b>\$ (3,013,895)</b>	<b>\$ 883,149</b>	<b>\$ (202,381)</b>	<b>\$ 897,209</b>	<b>\$ (3,572,842)</b>	<b>\$ (3,636,497)</b>	<b>\$ (3,155,803)</b>

Data source: Audited financial statements

Town of Lynnfield, Massachusetts  
Fund Balance, Governmental Funds  
Last Ten Fiscal Years

	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$ 1,118,609	\$ 1,010,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	530,585	358,266	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Committed	-	-	1,758,516	1,654,069	260,471	203,595	272,525	771,025	1,239,590	1,044,907
Assigned	-	-	344,042	999,492	921,176	1,105,984	529,203	1,585,025	2,887,111	2,204,030
Unassigned	-	-	800,289	797,575	3,325,112	3,249,849	5,792,182	5,771,370	5,684,933	4,672,751
<b>Total general fund</b>	<b>\$ 1,649,194</b>	<b>\$ 1,368,661</b>	<b>\$ 2,902,847</b>	<b>\$ 3,451,136</b>	<b>\$ 4,506,759</b>	<b>\$ 4,559,428</b>	<b>\$ 6,593,910</b>	<b>\$ 8,127,420</b>	<b>\$ 9,811,634</b>	<b>\$ 7,921,688</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 719,775	\$ 939,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	3,870,910	4,111,178	-	-	-	-	-	-	-	-
Capital projects funds	(86,615)	(301,961)	-	-	-	-	-	-	-	-
Permanent funds	61,380	50,613	-	-	-	-	-	-	-	-
Nonspendable	-	-	757,400	776,909	801,450	824,025	866,975	883,375	904,975	923,775
Restricted	-	-	2,815,673	3,161,227	3,956,234	3,322,745	5,858,847	5,600,380	6,006,186	5,404,333
Committed	-	-	179,500	-	-	1,449,113	-	-	-	-
Unassigned	-	-	(640,701)	(1,388,614)	(1,188,379)	(1,302,368)	(1,589,317)	(2,005,449)	(505,835)	(1,104,523)
<b>Total all other governmental funds:</b>	<b>\$ 4,565,450</b>	<b>\$ 4,799,405</b>	<b>\$ 3,111,872</b>	<b>\$ 2,549,522</b>	<b>\$ 3,569,305</b>	<b>\$ 4,293,515</b>	<b>\$ 5,136,505</b>	<b>\$ 4,478,306</b>	<b>\$ 6,405,326</b>	<b>\$ 5,223,585</b>

Data source: Audited financial statements

<sup>(1)</sup> Beginning with FY 11, the presentation of Fund Balance conforms with Government Accounting Standards Board Statement No. 54.

Town of Lynnfield, Massachusetts  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Real estate and personal property taxes										
net of tax refunds	\$ 27,578,271	\$ 30,574,242	\$ 31,354,616	\$ 32,604,999	\$ 33,848,542	\$ 35,639,858	\$ 38,811,833	\$ 40,079,432	\$ 42,260,027	\$ 42,758,691
Motor vehicle and other excise taxes	1,931,850	1,824,060	2,021,065	1,987,219	2,250,003	2,627,824	3,110,340	3,494,597	3,428,366	3,643,200
Penalties, interest and other taxes	121,296	93,220	151,515	185,823	111,671	196,225	138,577	129,627	128,629	89,448
Charges for services	2,708,063	2,735,794	2,989,542	3,286,009	3,155,485	3,270,148	2,907,695	3,023,120	2,654,063	2,684,727
Intergovernmental	11,138,886	10,731,476	11,061,056	11,360,303	13,062,902	11,593,735	7,225,712	7,115,537	13,231,819	10,934,295
License and permits	340,353	252,778	301,269	336,628	425,073	592,594	427,977	472,212	450,425	550,317
Fines and forfeitures	107,216	95,307	73,424	77,670	81,872	83,435	83,541	92,291	60,894	67,591
Investment income	58,387	18,663	31,232	39,668	4,590	29,551	14,512	63,096	29,087	57,496
Miscellaneous and payment in lieu	1,601,436	1,409,953	650,368	906,759	1,213,769	2,769,702	3,480,781	1,096,052	2,334,851	1,296,138
<b>Total Revenues</b>	<b>45,585,758</b>	<b>47,735,493</b>	<b>48,634,087</b>	<b>50,785,078</b>	<b>54,153,907</b>	<b>56,803,072</b>	<b>56,200,968</b>	<b>55,565,964</b>	<b>64,578,161</b>	<b>62,081,903</b>
<b>Expenditures:</b>										
General government	1,714,775	1,747,374	1,696,696	1,774,913	1,912,643	3,300,704	9,736,014	2,681,776	2,881,887	4,393,417
Public safety	5,128,050	4,207,739	4,209,166	4,552,501	4,427,919	5,068,925	4,267,064	4,498,401	5,462,756	5,370,045
Education	25,752,869	26,844,637	27,449,151	29,211,273	32,967,696	30,715,415	27,002,713	28,708,227	35,131,328	34,253,732
Public works	6,057,627	5,491,419	6,058,730	6,021,965	6,076,877	6,912,985	6,650,511	7,439,531	7,954,733	9,140,897
Health and human services	405,658	542,880	505,718	427,547	438,489	529,949	476,067	489,093	555,735	618,832
Cultural and recreation	693,104	712,964	677,804	753,509	808,868	882,751	1,069,191	1,272,911	1,193,838	1,217,587
Employee benefits	4,212,501	4,385,411	4,796,870	4,773,386	4,882,243	5,037,722	5,129,181	5,524,278	5,910,860	6,239,796
Debt service	2,795,928	2,744,269	2,370,463	2,309,029	2,554,929	2,264,452	2,303,611	2,451,829	2,401,853	2,570,604
Intergovernmental	289,895	315,836	331,518	375,678	400,171	398,616	372,449	375,413	364,845	437,107
<b>Total Expenditures</b>	<b>47,050,407</b>	<b>46,992,529</b>	<b>48,096,116</b>	<b>50,199,801</b>	<b>54,469,835</b>	<b>55,111,519</b>	<b>57,006,801</b>	<b>53,441,459</b>	<b>61,857,835</b>	<b>64,242,017</b>
Excess of revenues over/(under) expenditures	(1,464,649)	742,964	537,971	585,277	(315,928)	1,691,553	(805,833)	2,124,505	2,720,326	(2,160,114)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes	560,000	-	-	200,000	15,322,841	-	4,467,000	-	1,671,000	-
Bond premiums	-	-	-	-	1,616,929	-	178,253	-	57,675	-
Payments to refund bond escrow	-	-	-	-	(13,735,119)	-	-	-	-	-
Transfer in	3,027,238	810,939	739,390	709,119	613,090	3,195,591	1,574,259	1,047,175	1,004,911	2,303,835
Transfer out	(3,804,266)	(1,600,481)	(1,430,708)	(1,508,457)	(1,426,407)	(4,110,265)	(2,494,212)	(2,296,369)	(1,842,678)	(3,215,408)
<b>Total other financing sources ( uses )</b>	<b>(217,028)</b>	<b>(789,542)</b>	<b>(691,318)</b>	<b>(599,338)</b>	<b>2,391,334</b>	<b>(914,674)</b>	<b>3,725,300</b>	<b>(1,249,194)</b>	<b>890,908</b>	<b>(911,573)</b>
<b>Net change in fund balance</b>	<b>\$ (1,681,677)</b>	<b>\$ (46,578)</b>	<b>\$ (153,347)</b>	<b>\$ (14,061)</b>	<b>\$ 2,075,406</b>	<b>\$ 776,879</b>	<b>\$ 2,919,467</b>	<b>\$ 875,311</b>	<b>\$ 3,611,234</b>	<b>\$ (3,071,687)</b>

Data source: Audited financial statements

Town of Lynnfield, Massachusetts  
 Assessed Value<sup>(1)</sup> of Taxable Property by Classification  
 Last Ten Fiscal Years

Fiscal Year	Assessed Value							Total Town Value
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	
2009	\$ 2,279,078,095	\$11.22	\$ 145,809,481	\$20,203,500	\$24,537,609	\$ 190,550,590	\$11.22	\$ 2,469,628,685
2010	\$ 2,181,845,401	\$12.84	\$ 143,990,369	\$19,806,300	\$27,836,560	\$ 191,633,229	\$12.84	\$ 2,373,478,630
2011	\$ 2,134,855,004	\$13.49	\$ 141,360,708	\$18,723,800	\$28,471,946	\$ 188,556,454	\$13.49	\$ 2,323,411,458
2012	\$ 2,096,637,630	\$14.26	\$ 140,078,519	\$18,724,100	\$26,573,218	\$ 185,375,837	\$14.26	\$ 2,282,013,467
2013	\$ 2,082,581,167	\$14.82	\$ 146,443,644	\$18,733,700	\$27,280,229	\$ 192,457,573	\$14.82	\$ 2,275,038,740
2014	\$ 2,166,450,901	\$14.77	\$ 175,292,510	\$18,780,800	\$25,677,455	\$ 219,750,765	\$14.77	\$ 2,386,201,666
2015	\$ 2,288,137,880	\$14.49	\$ 287,271,431	\$18,780,800	\$29,035,704	\$ 335,087,935	\$14.49	\$ 2,623,225,815
2016	\$ 2,360,823,073	\$14.50	\$ 326,484,138	\$18,782,000	\$32,228,477	\$ 377,494,615	\$14.50	\$ 2,738,317,688
2017	\$ 2,582,557,718	\$13.78	\$ 353,115,470	\$20,333,300	\$32,621,122	\$ 406,069,892	\$13.78	\$ 2,988,627,610
2018	\$ 2,641,638,474	\$13.76	\$ 379,947,409	\$20,346,800	\$34,686,219	\$ 434,980,428	\$13.76	\$ 3,076,618,902

Data source: Town of Lynnfield Tax Recapitulation Sheets

<sup>(1)</sup> Assessed value is comparable to estimated actual value

Town of Lynnfield, Massachusetts  
Principal Taxpayers  
Current and Nine Years Ago

Name of Business	Nature of Business	2018			2009		
		Assessed Valuation	Rank	% of Total Taxable Assessed Value	Assessed Valuation	Rank	% of Total Taxable Assessed Value
Market Street South LLC	Retail Mall	\$231,540,000	1	7.53%	-	-	-
Lynnfield Commons LLC	Apartment Building	\$34,034,000	2	1.11%	\$8,762,300	4	0.35%
Arborpoint at Market Street LLC	Apartment Building	\$33,872,600	3	1.10%	-	-	-
Ship Mall LLC	Retail Condo	\$14,554,300	4	0.47%	\$12,197,800	2	0.49%
Herb Chambers of Lynnfield, Inc.	Car Dealership	\$14,434,300	5	0.47%	\$7,271,500	6	0.29%
JRT Realty LLC	Office	\$11,992,500	6	0.39%	\$11,140,700	3	0.45%
LIM Partnership BL Assoc.	Industrial	\$8,661,800	7	0.28%	\$7,953,200	5	0.32%
Sunrise Lynnfield Senior Living	Assisted Living	\$7,941,800	8	0.26%	\$6,819,600	8	0.28%
Salem Street 50 Realty Trust	Office	\$7,327,900	9	0.24%	\$6,922,400	7	0.28%
SSMNMI, LLC	Mixed Res/Storage	\$6,627,600	10	0.22%	\$6,577,100	9	0.27%
<b>Totals</b>		<b><u>\$370,986,800</u></b>		<b><u>12.06%</u></b>	<b><u>\$ 58,882,300</u></b>		<b><u>2.38%</u></b>

Source: Board of Assessors, Town of Lynnfield

Town of Lynnfield, Massachusetts  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During the Fiscal Year Payable		Collections in Subsequent Years	Collections as of June 30, 2018	
				Dollar Amount	% of Net Levy		Dollar Amount	% of Net Levy
2009	\$ 28,036,981	\$ 234,315	\$ 27,802,666	\$ 27,452,913	98.74%	\$ 293,214	\$ 27,746,127	99.8%
2010	\$ 30,644,103	\$ 151,191	\$ 30,492,912	\$ 29,918,357	98.12%	\$ 293,591	\$ 30,211,948	99.1%
2011	\$ 31,554,034	\$ 161,459	\$ 31,392,575	\$ 31,020,140	98.81%	\$ 204,209	\$ 31,224,349	99.5%
2012	\$ 32,782,501	\$ 184,398	\$ 32,598,103	\$ 32,212,516	98.82%	\$ 213,658	\$ 32,426,174	99.5%
2013	\$ 33,998,987	\$ 328,657	\$ 33,670,330	\$ 33,586,379	99.75%	\$ 159,156	\$ 33,745,535	100.2%
2014	\$ 35,644,145	\$ 179,812	\$ 35,464,333	\$ 35,119,786	99.03%	\$ 316,054	\$ 35,435,840	99.9%
2015	\$ 38,945,437	\$ 778,964	\$ 38,166,473	\$ 38,472,415	100.80%	\$ 214,388	\$ 38,686,803	101.4%
2016	\$ 40,906,040	\$ 775,573	\$ 40,130,467	\$ 40,333,816	100.51%	\$ 210,768	\$ 40,544,584	101.0%
2017	\$ 42,409,619	\$ 587,402	\$ 41,822,217	\$ 41,913,978	100.22%	\$ 207,378	\$ 42,121,356	100.7%
2018	\$ 43,778,411	\$ 291,587	\$ 43,486,824	\$ 43,416,791	99.84%		\$ 43,416,791	99.8%

Data source: DLS Databank - Tax Levies by Class  
Town of Lynnfield General Ledger  
Bond Prospectus

Town of Lynnfield, Massachusetts  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Governmental Activities Debt							
Fiscal Year	Population	Total Personal Income	Assessed Valuation	General Obligation Bonds	Per Capita Income	Percentage of Personal Income	Percentage of Assessed Value
2009	11,443	\$ 590,207,054	\$ 2,469,628,685	\$ 21,915,976	\$ 51,578	3.7133%	0.8874%
2010	11,382	\$ 621,639,312	\$ 2,373,478,630	\$ 20,059,876	\$ 54,616	3.2269%	0.8452%
2011	11,412	\$ 676,606,068	\$ 2,323,411,458	\$ 18,513,777	\$ 59,289	2.7363%	0.7968%
2012	12,035	\$ 637,818,895	\$ 2,282,013,467	\$ 17,172,678	\$ 52,997	2.6924%	0.7525%
2013	11,596	\$ 591,790,264	\$ 2,275,038,740	\$ 17,784,419	\$ 51,034	3.0052%	0.7817%
2014	11,720	\$ 684,248,760	\$ 2,386,201,666	\$ 16,080,819	\$ 58,383	2.3501%	0.6739%
2015	11,805	\$ 703,082,190	\$ 2,623,225,815	\$ 18,919,208	\$ 59,558	2.6909%	0.7212%
2016	12,395	\$ 768,167,730	\$ 2,738,317,688	\$ 17,103,582	\$ 61,974	2.2265%	0.6246%
2017	12,652	\$ 798,695,456	\$ 2,988,627,610	\$ 16,975,941	\$ 63,128	2.1255%	0.5680%
2018	12,761	\$ 899,331,475	\$ 3,076,618,902	\$ 15,016,285	\$ 70,475	1.6697%	0.4881%

Business - Type Activities Debt		Total Primary Government			
Fiscal Year	Golf Fund	Total Debt Outstanding	Per Capita Income	Percentage of Personal Income	Percentage of Assessed Value
2009	\$ 10,025,000	\$ 31,940,976	51,578	5.41%	1.29%
2010	\$ 9,571,000	\$ 29,630,876	54,616	4.77%	1.25%
2011	\$ 9,102,000	\$ 27,615,777	59,289	4.08%	1.19%
2012	\$ 8,613,000	\$ 25,785,678	52,997	4.04%	1.13%
2013	\$ 8,094,000	\$ 25,878,419	51,034	4.37%	1.14%
2014	\$ 7,560,000	\$ 23,640,819	58,383	3.46%	0.99%
2015	\$ 7,006,000	\$ 25,925,208	59,558	3.69%	0.99%
2016	\$ 6,427,000	\$ 23,530,582	61,974	3.06%	0.86%
2017	\$ 5,823,000	\$ 22,798,941	63,128	2.85%	0.76%
2018	\$ 5,194,000	\$ 20,210,285	70,475	2.25%	0.66%

Data source: Massachusetts Department of Revenue, Local Services Division  
Audited financial statements

Town of Lynnfield, Massachusetts  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2018

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt <sup>(2)</sup></u>
Debt repaid with property taxes:			
Essex North Shore Agricultural and Technical School District	\$ 30,395,000	2.13%	\$ 646,806
Massachusetts Bay Transportation	5,656,191	0.15%	<u>8,484</u>
Subtotal, overlapping debt			655,290
Town direct debt			<u>20,210,285</u>
Total direct and overlapping debt			<u><u>\$ 20,865,575</u></u>

Data source: Multiple entities including Town Treasurer

<sup>(1)</sup> Estimated share based on debt service only

<sup>(2)</sup> Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service

Town of Lynnfield, Massachusetts  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Equalized Valuation <sup>(1)</sup>	\$2,665,254,600	\$2,564,456,400	\$2,564,456,400	\$2,504,734,600	\$2,504,734,600	\$2,496,773,700	\$2,496,773,700	\$3,007,167,600	\$3,007,167,600	\$3,324,301,800
Debt Limit - 5% of equalized valuation	133,262,730	128,222,820	128,222,820	125,236,730	125,236,730	124,838,685	124,838,685	150,358,380	150,358,380	166,215,090
Less:										
Total debt applicable to limitation <sup>(2)</sup>	31,940,975	29,630,876	27,615,776	25,785,677	25,878,418	23,640,818	25,925,207	23,531,008	20,799,367	20,210,711
Legal debt margin	\$101,321,755	\$98,591,944	\$100,607,044	\$99,451,053	\$99,358,312	\$101,197,867	\$98,913,478	\$126,827,372	\$129,559,013	\$146,004,379
Total debt applicable to the limit as a percentage of debt limit	23.97%	23.11%	21.54%	20.59%	20.66%	18.94%	20.77%	15.65%	13.83%	12.16%

Data source:

<sup>(1)</sup> MA Bureau of Local Services (DataBank)

<sup>(2)</sup> Town of Lynnfield

Town of Lynnfield, Massachusetts  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Fiscal Year	Population Estimates	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	11,443	\$51,578	42.6	2,364	7.40%
2010	11,382	\$54,616	44.6	2,360	6.50%
2011	11,412	\$59,289	44.6	2,315	6.30%
2012	12,035	\$52,997	44.6	2,280	4.90%
2013	11,596	\$51,034	44.6	2,266	4.90%
2014	11,720	\$58,383	44.6	2,222	5.20%
2015	11,805	\$59,558	44.6	2,212	3.90%
2016	12,395	\$61,974	44.6	2,227	3.10%
2017	12,652	\$63,128	44.6	2,210	2.10%
2018	12,761	\$70,475	44.6	2,155	2.90%

Data source: DLS Databank - Labor Force  
Town of Lynnfield Census Data  
DESE October 1 reports

Town of Lynnfield, Massachusetts  
Principal Employers  
Current Year and Nine Years Ago

Employer	Type of Business	2018			2009		
		Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank	Percentage of Total Town Employment
UPS	Shipping Freight	310	1	4.24%	300	1	5.63%
PFPC	Investment Firm	290	2	3.97%	300	2	5.63%
Catamount Management Group	Consultants	250	3	3.42%	-	-	-
Whole Foods	Grocery	250	4	3.42%	-	-	-
Automatic Data Processing	Software/Computer Processor	185	5	2.53%	185	3	3.47%
Colonial Sheraton Resort	Hotel/Golf Resort	180	6	2.46%	180	-	3.38%
Christmas Tree Shop	Retail Store	103	7	1.41%	103	4	1.93%
Johnson Controls, Inc.	Environmental Control Systems	100	8	1.37%	100	5	1.88%
Flagship Motors	Automobile	99	9	1.36%	99	6	1.86%
Ninety Nine	Restaurant	60	10	0.82%	60	7	1.13%
	Total Principal Employers	1827			1327		
	Total Town Employment	7305 <sup>(1)</sup>			5333 <sup>(2)</sup>		

Sources:

<sup>(1)</sup> Massachusetts Executive Office of Labor and Workforce Development

<sup>(2)</sup> Massachusetts Bureau of Local Services (DataBank)

Town of Lynnfield, Massachusetts  
Government Employees by Function - Full Time Equivalents  
Last Ten Years

Function	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government:</b>	16.54	16.54	16.54	15.54	15.80	15.80	15.86	16.02	15.64	15.64
<b>Public Safety:</b>										
Police	24.40	24.40	23.47	23.47	24.41	24.39	26.40	26.90	26.58	28.82
Fire	17.23	17.63	18.57	18.83	19.25	20.56	20.47	20.63	22.13	23.47
Inspection	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Animal Control	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Sub-Total	42.91	43.31	43.32	43.58	44.94	46.23	48.15	48.81	49.99	53.57
<b>Education:</b>	269.00	272.35	281.30	281.30	288.90	288.30	296.80	299.80	309.30	309.70
<b>Public Works:</b>										
Administration	6.00	6.00	6.00	6.00	6.46	6.61	6.28	6.32	6.14	6.65
Highway	15.10	15.10	15.10	14.95	15.10	15.10	15.10	14.18	14.18	14.18
Municipal Buildings	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.10	4.10	4.14
School Buildings & Bus	19.58	19.58	19.32	19.32	18.10	20.30	18.72	18.10	18.10	17.40
Sub-Total	44.68	44.68	44.42	44.27	43.66	46.01	44.10	42.70	42.52	42.37
<b>Health and Human Services:</b>										
Board of Health	1.06	1.06	1.06	1.06	1.40	1.40	1.40	1.40	1.40	1.40
Council on Aging	6.24	6.24	6.32	6.39	6.39	6.60	6.60	7.01	7.05	7.05
Veteran's Agent	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28	0.28
Sub-Total	7.58	7.58	7.66	7.73	8.07	8.28	8.28	8.69	8.73	8.73
<b>Culture and Recreation:</b>										
Library	11.80	11.43	11.54	11.43	12.86	12.63	12.60	12.71	12.83	12.54
Recreation	0.00	0.00	0.63	0.63	0.43	0.54	1.00	1.00	1.00	1.00
Golf	13.54	11.50	12.27	10.47	9.82	9.65	14.82	11.30	11.82	13.15
Sub-Total	25.34	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54	13.54
<b>TOTALS:</b>	406.05	398.00	406.78	405.96	414.91	418.16	426.73	429.56	439.72	443.55

Source: Town of Lynnfield Departments

Town of Lynnfield, Massachusetts  
Operating Indicators by Function  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Town Clerk										
Registered Voters	8,906	8,906	9,239	9,239	9,310	9,310	8,767	9,336	9,144	9,614
Dog Licenses	637	642	703	806	827	850	996	970	1,043	1,078
Finance										
Taxable property parcels assessed	4,556	4,581	4,591	4,580	4,460	4,452	4,510	4,544	4,580	4,592
Motor vehicles registered	13,565	13,687	13,480	13,071	13,417	13,772	11,745	14,637	14,705	14,387
Police										
Physical arrests	130	155	91	70	67	52	68	63	31	51
Traffic violations	533	406	240	349	218	254	452	614	399	539
Fire										
Emergency responses	n/a	n/a	1,566	1,358	1,426	1,667	1,887	1,866	1,855	2,020
Fires extinguished	n/a	n/a	111	111	97	91	85	146	109	83
Medical Responses	n/a	n/a	810	827	846	1,016	1,212	1,239	1,113	1,204
Education										
Number of students	2,364	2,360	2,315	2,280	2,266	2,222	2,212	2,227	2,210	2,155
Building										
Building permits issued	291	300	359	193	457	437	482	323	408	416
Estimated construction value	\$8,675,066	\$11,224,714	\$14,003,402	\$72,386,818	\$48,913,181	\$44,723,700	\$23,933,546	\$19,328,319	\$28,696,892	\$21,809,661
Public Library										
Volumes of collections	n/a	88,121	74,496	88,830	90,835	97,661	99,211	101,914	101,631	105,377
Total circulation	n/a	153,627	156,566	146,320	141,296	139,620	141,112	135,913	134,691	114,967
Registered borrowers	9,296	9,681	9,950	7,525	7,911	8,271	8,570	8,907	9,175	9,385

Data source: Registered Voters - Town Report  
DLS Databank

Town of Lynnfield, ,Massachusetts  
 Capital Assets Statistics by Function  
 Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
<b>Fire and Rescue</b>										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of ladder trucks	1	1	1	1	1	1	1	1	1	1
Number of pumpers	4	4	4	4	4	4	4	4	4	4
Number of support vehicles	6	6	6	6	6	6	6	6	6	6
<b>Education</b>										
Number of Elementary Schools	2	2	2	2	2	2	2	2	2	2
Number of Middle Schools	1	1	1	1	1	1	1	1	1	1
Number of High Schools	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Miles of street	67.79	67.79	67.79	68.65	68.85	69.05	69.05	69.05	69.05	69.05
Number of storm drains	1,598	1,598	1,598	1,626	1,629	1,635	1,635	1,635	1,635	1,635
Cemeteries	4	4	4	4	4	4	4	4	4	4
<b>Recreation</b>										
Acres of Parks	60	60	60	60	60	60	60	60	60	60
Ball fields	12	12	12	12	12	12	12	12	12	12
Tennis courts	11	11	11	11	11	11	11	11	11	11
<b>Golf</b>										
Number of courses	2	2	2	2	2	2	2	2	2	2
<b>Emergency Medical Services</b>										
Number of vehicles	3	3	3	3	3	3	3	3	3	3

Data source: Town reports  
 Various Town departments