

## PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED JUNE 5, 2014

### Standard & Poor's Rating Group:

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

### TOWN OF LYNNFIELD, MASSACHUSETTS \$1,147,037 GENERAL OBLIGATION BOND ANTICIPATION NOTES

The Town of Lynnfield, Massachusetts (the "Town") will receive telephone and electronic bids at First Southwest Company (617-619-4400) in case of telephone bids and via PARITY in case of electronic bids until 11:00 A.M., Eastern Time, Thursday, June 12, 2014, for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$1,147,037      General Obligation Bond Anticipation Notes (renewals) dated June 20, 2014 and payable June 19, 2015. Interest will be computed on a 30 day month, 360-day year basis (359/360).

Bids may be submitted electronically via **PARITY** pursuant to this Notice until 11:00 A.M., Eastern Standard Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. For further information about **PARITY**, potential bidders may contact the First Southwest Company or **PARITY** at (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Bids may be submitted for all or part of the Notes at a single or various rates of interest in multiples of one-hundredth (1/100) of one percent (1%). No bid of less than par and accrued interest to the date of delivery will be considered.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Notes in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than Noon, Eastern Standard Time, on the date of sale.

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

The Notes will be awarded on the basis of lowest net interest cost to the Town. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from June 20, 2014, until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of notes than bid, the premium shall be reduced proportionately. The right is reserved to reject any and all bids not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any bid.

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

On or prior to the date of delivery of the Notes, the successful bidder for all or a portion of the Notes shall furnish to the Town a certificate acceptable to Bond Counsel with respect to such Notes to the effect that (a) as of June 12, 2014 (the "Sale Date"), the purchaser had offered or reasonably expected to offer all of the Notes to the general public (excluding

bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the price set forth in such certificate, plus accrued interest, if any, (b) such price represents the fair market price of the Notes as of the Sale Date, and (c) as of the date of such certificate, all of the Notes have been offered to the general public in a bona fide offering at the price set forth in such certificate, and at least 10% of the principal amount of the Notes actually has been sold to the general public at such price. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Notes, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Notes for federal tax law purposes. If the purchaser is purchasing the Notes for its own account and not on behalf of another party, and the purchaser does not currently intend to resell the Notes, the successful bidder will be required to so certify.

Principal of and interest on the Notes will be payable upon maturity in federal reserve funds at the U.S. Bank National Association, Boston, Massachusetts. The Notes will not be subject to redemption prior to maturity. The Notes will be issued by means of a book-entry system evidencing ownership, in principal amounts of \$1,000, or integral multiples thereof, except for one denomination of \$1,037, with transfer of the Notes on the records of the Depository Trust Company and its Participants pursuant to rules and procedures adopted by DTC, unless the issuance of a fully-registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry Transfer System").

The purchaser(s) will be furnished the opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts approving the legality of the Notes (see "Tax Exemption") and stating that they are valid and binding general obligations of the Town of Lynnfield, Massachusetts, and unless paid from the bond proceeds in anticipation of which they are issued or from other sources, are payable as to both principal and interest from ad valorem taxes which may be levied upon all the property within the territorial limits of the Town and taxable by it, subject to the limitation imposed by Chapter 59, Section 21C, of the General Laws.

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

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

The Notes will be delivered to the Depository Trust Company for credit to the Town in federal reserve funds or the office of its custodial agent, or to the registered owner if a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town.

Additional information concerning the Town of Lynnfield and the Notes is contained in the Preliminary Official Statement dated June 5, 2014, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes, and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from the First Southwest Company, 54 Canal Street, Suite 320, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven business days following the award of the Notes and receipt of necessary information from the successful bidder, five copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the successful bidder.

TOWN OF LYNNFIELD, MASSACHUSETTS  
/s/ Christine O'Sullivan, Treasurer

June 5, 2014

**OFFICIAL STATEMENT**  
**TOWN OF LYNNFIELD, MASSACHUSETTS**  
**\$1,147,037 GENERAL OBLIGATION BOND ANTICIPATION NOTES**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Lynnfield, Massachusetts (the "Town") in connection with the sale of \$1,147,037 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

**The Notes**

The Notes will be dated June 20, 2014, and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on June 19, 2015. The Notes will bear interest payable at maturity, calculated on the basis of 30 day months and on a 360 day-year, at the rate or rates determined upon their sale in accordance with the Notice of Sale dated June 5, 2014. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof, with the exception of one \$1,037 denomination, with transfers of ownership effected on the records of the Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the issuance of a fully-registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. (See "Book-Entry-Transfer System," herein.)

**Authorization of the Notes and Use of Proceeds**

The following table sets forth the purposes, principal amounts, amounts authorized, statutory references and dates of approval, for the current offering of Notes.

Purpose	This Issue	Total Authorization	Bond Anticipation Notes Outstanding (1)	Statutory Reference	Date of Authorization
Technology	\$ 250,000	\$ 250,000	\$ 250,000	7(28)/(29)	4/25/2011 (art. 11)
2011 Chevrolet Tahoe 4WD Special Vehicle	31,237	31,237	31,237	7(9)	4/25/2011 (art. 11)
2011 Chevrolet Tahoe 2WD Pursuit Vehicle	28,212	28,212	28,212	7(9)	4/25/2011 (art. 11)
CF31 Toughbooks w/Software	20,600	20,600	20,600	7(9)	4/25/2011 (art. 11)
Protective Gear	10,000	10,000	10,000	7(9)	4/25/2011 (art. 11)
Portable Radios and Pagers	20,000	20,000	20,000	7(9)	4/25/2011 (art. 11)
South Fire Station Improvements	55,000	55,000	55,000	7(3A)	4/25/2011 (art. 11)
Furniture & Furnishings	7,488	7,488	7,488	7(3A)	4/25/2011 (art. 11)
Vehicle/Replacement Trucks #1,#3, #6, #20	245,000	245,000	245,000	7(9)	4/25/2011 (art. 11)
Loaders 544B, 300B	180,000	180,000	180,000	7(9)	4/25/2011 (art. 11)
Radio Upgrade – FCC narrow band req.	9,000	9,000	9,000	7(9)	4/25/2011 (art. 11)
Upgrade Equipment, Small	5,000	5,000	5,000	7(9)	4/25/2011 (art. 11)
"Bat Wing" –mower attachment	22,000	22,000	22,000	7(9)	4/25/2011 (art. 11)
High School – field upgrade, resod	30,000	30,000	30,000	7(25)	4/25/2011 (art. 11)
Small Equipment – chain saws, tools, etc.	2,000	2,000	2,000	7(9)	4/25/2011 (art. 11)
Storm Water Compliance	10,000	10,000	10,000	7(22)	4/25/2011 (art. 11)
Floor Tile Replacement – card room	6,000	6,000	6,000	7(3A)	4/25/2011 (art. 11)
Basement waterproofing, pump replacement	18,000	18,000	18,000	7(3A)	4/25/2011 (art. 11)
Purchase new "Genie Lift"	8,000	8,000	8,000	7(9)	4/25/2011 (art. 11)
9" Road Sign Replacement	5,000	5,000	5,000	7(9)	4/25/2011 (art. 11)
Drain Improvements	50,000	50,000	50,000	7(1)	4/25/2011 (art. 11)
Street Lamp Replacement Program	5,000	5,000	5,000	7(14)	4/25/2011 (art. 11)
Pillings Pond Improvements	25,000	25,000	25,000	7(27)	4/25/2011 (art. 11)
Storage Configuration	66,000	66,000	66,000	7(28)/(29)	4/25/2011 (art. 11)
Server Virtualization	38,500	38,500	38,500	7(28)/(29)	4/25/2011 (art. 11)
<b>TOTAL:</b>	<b>\$ 1,147,037</b>		<b>\$ 1,147,037</b>		

(1) To be renewed with a like amount of Note proceeds.

## Tax Exemption

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Notes are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

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

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

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

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

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

Prospective Noteholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Notes being subject directly or indirectly to federal income taxation, or otherwise prevent Noteholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Notes from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

### **Book-Entry Transfer System**

The following section shall apply to Notes issued pursuant to the book-entry system through the facilities of DTC.

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

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

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

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

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

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

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

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

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

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

## **Security and Remedies**

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

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

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

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

**Court Proceedings.** Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "*Tax Limitations*" under "PROPERTY

TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

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

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

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

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

**Bankruptcy.** Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal Bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior

approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

### **Opinion of Bond Counsel**

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

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

### **Bank Eligibility**

The Notes will be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

### **Financial Advisory Services of First Southwest Company**

First Southwest Company, Boston, Massachusetts serves as financial advisor to the Town of Lynnfield, Massachusetts.

### **Disclosure of Significant Events**

In order to assist underwriters in complying with the requirements of paragraph (b)(5)(i)(C) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule") applicable to municipal securities having a stated maturity of 18 months or less, the Issuer will covenant for the benefit of the owners of the Notes to file with the Municipal Securities Rulemaking Board (the "MSRB"), notices of the occurrence of any of the following events with respect to the Notes within ten business days of such occurrence: (a) principal and interest payment delinquencies; (b) non-payment related defaults, if material; (c) unscheduled draws on debt service reserves reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (g) modifications to rights of owners of the Notes, if material; (h) bond calls, if material, and tender offers; (i) defeasances; (j) release, substitution or sale of property securing the repayment of the Notes, if material; (k) ratings changes on the Notes; (l) bankruptcy, insolvency, receivership or similar event of the Issuer; (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Other than the Town, there are no obligated persons with respect to the Notes within the meaning of the Rule. The covenant will be included in a Significant Events Disclosure Certificate to be executed by the signers of the Notes and incorporated by reference in the Notes. The sole remedy available to the owners of the Notes for the failure of the Issuer to comply with any provision of the certificate shall be an action for specific performance of the Issuer's obligations under the certificate and not for money damages; no other person shall have any right to enforce any provision of the certificate.

**The Town became obligated to make annual disclosure of certain financial information by filing with each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2003. Due to an administrative oversight, the fiscal year ending 2010 comprehensive annual financial report was not timely filed with each NRMSIR. All information has since been filed, including a notice of late filing. The Town has implemented procedures to ensure timely filing of all future financial information.**



## TOWN OF LYNNFIELD, MASSACHUSETTS

Lynnfield, incorporated as a Town in 1782, is governed by the selectmen-open town meeting form of government.

### Governing Bodies and Officers

Local legislative decisions in the Town are made by an open town meeting consisting of all registered voters in the Town. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by a board of three selectmen, elected on an at-large basis for staggered three-year terms, and assisted by a Town Administrator.

Local school affairs are administered by a school committee of five persons while local taxes are assessed by a board of three assessors, all elected on an at-large basis for staggered three-year terms.

The following is a list of the principal executive officers:

Office	Name	Manner of Selection and Term	Term Expires
Selectman	David M. Nelson, Chair	Elected/3 years	April-15
	Thomas P. Terranova, Jr.	Elected/3 years	April-16
	Philip B. Crawford	Elected/3 years	April-17
Town Administrator/ Director of Finance	William J. Gustus	Appointed	December-14
Town Accountant	Julianne M. McCarthy	Appointed	June-15
Treasurer/Tax Collector	Christine O'Sullivan	Appointed	June-14
Town Clerk	Trudy Reid	Appointed	June-14
Town Counsel	Thomas A. Mullen	Appointed	June-15

### Municipal Services

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education in grades K through 12, disposal of garbage and rubbish, street maintenance, a public library, parks and recreational facilities. The Lynnfield Water and Lynnfield Center Water Districts provide water service to substantially all the Town, while residents supply their own sewer services through private septic systems. The Massachusetts Bay Transportation Authority provides rail service to Boston from the nearby Town of Wakefield.

The North Shore Regional Vocational Technical High School District provides vocational education for students in grades 9-12. The Lynnfield Housing Authority provides housing for eligible low income families, elderly and handicapped persons.

### Education

#### Public School Enrollments as of October 1, (1)(2)

Grade	Actual					Projected
	2009	2010	2011	2012	2013	2014
Pre K & K	197	193	202	196	203	200
1 - 4	741	704	680	689	644	606
5 - 6	395	382	395	371	361	371
7 - 8	365	391	383	385	392	363
9 - 12	662	645	620	625	622	649
Total	2,360	2,315	2,280	2,266	2,222	2,189

(1) Source: Massachusetts Department of Education and Town of Lynnfield School Department.

(2) The Town also participates in the North Shore Regional Vocational Technical School District which enrollment is not reflected in the table.

## Physical and Economic Characteristics

The Town of Lynnfield, located in northeastern Massachusetts in Essex County, approximately 12 miles from the City of Boston, is bordered on the north by the Town of North Reading, on the south by the Towns of Saugus and Wakefield, on the east by the Town of Middleton and the Cities of Peabody and Lynn and on the west by the Town of Reading. The Town occupies a land area of 10.15 square miles and is a residential/business community. The principal highway serving the Town is Route 1 where most of the Town's commercial activity is concentrated.

## Industry and Commerce

### Employment and Payrolls

Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2008	2009	2010	2011	2012
Construction	639	560	424	457	462
Trade, Transportation and Utilities	916	930	947	980	1,004
Information	186	71	81	84	90
Financial Activities	322	296	343	333	306
Professional and Business Services	1,779	1,642	1,741	1,868	1,958
Education and Health Services	1,592	1,511	1,459	723	714
Leisure and Hospitality	331	293	453	390	331
Other Services	94	82	97	104	102
Total Employment	5,859	5,385	5,545	4,939	4,967
Number of Establishments	381	377	400	414	385
Average Weekly Wages	\$ 828	\$ 832	\$ 826	\$ 884	\$ 922
Total Wages	\$ 257,906,433	\$ 238,717,009	\$ 243,931,241	\$ 233,496,349	\$ 244,643,686

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

## Principal Employers

The following are the principal employers located in Lynnfield, excluding the Town itself which employs approximately 318 persons:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
UPS	Shipping/Freight	300
PFPC	Investment Firm	300
Catamount Management Group	Consultants	250
Whole Foods	Grocery	250
Automatic Data Processing	Software/Computer Processor	185
Colonial Sheraton Resort	Hotel/Golf Resort	180
Christmas Tree Shop	Retail Store	103
Johnson Controls, Inc.	Environmental Control Systems	100
Flagship Motors	Automobiles	99
Ninety Nine	Restaurant	60
Kelly Jeep Eagle	Automobiles	55
Kelly Jeep Nissan	Automobiles	55

Source: The Town of Lynnfield, June 2014.

## Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for calendar years 2009 to 2014. The estimated dollar values are builders' estimates, which are generally considered to be conservative. The table reflects permits filed and estimated valuations for both private construction and Town projects.

Calendar Year	New Construction				Additions/Alterations(1)				Totals	
	Residential		Non-Residential		Residential		Non-Residential		Totals	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
2014 (1)	34	\$ 5,740,095	8	\$ 7,121,126	85	\$ 1,548,925	14	\$ 1,637,666	141	\$ 16,047,812
2013	80	13,774,483	9	9,878,957	237	4,746,358	131	20,513,383	457	48,913,181
2012	49	5,346,905	23	62,962,174	121	4,077,739	-	-	193	72,386,818
2011	12	6,724,000	-	-	347	7,279,402	-	-	359	14,003,402
2010	73	6,906,014	1	575,000	226	3,743,700	-	-	300	11,224,714
2009	5	2,083,000	-	-	286	6,592,066	-	-	291	8,675,066

(1) Additions and alterations to all types of buildings (including residential), as well as permits for pools, demolitions, signs, and others.

(2) As of April 15, 2014.

## Labor Force, Employment and Unemployment

According to the Massachusetts Division of Employment and Training, in March 2014, the Town had a total labor force of 5,823, of which 5,557 were employed and 266 or 4.6% were unemployed as compared with 6.6% for the Commonwealth. The following table sets forth the Town's unemployment rates and the unemployment rates for the Commonwealth and the United States for calendar years 2009 through 2013.

Year	Town of Lynnfield Unemployment Rate	Massachusetts Unemployment Rate	United States Unemployment Rate
2013	5.7 %	7.1 %	7.4 %
2012	4.9	6.7	8.1
2011	5.5	6.6	8.3
2010	6.8	8.5	9.6
2009	7.2	8.1	9.3

Source: Massachusetts Department of Employment and Training.

## Population Trends

2010	2000	1990	1980
11,596	11,542	11,274	11,267

## Population, Income and Wealth Levels

The following table shows the median age, median family income and per capita income for the last two censuses.

	<u>Lynnfield</u>	<u>Massachusetts</u>	<u>United States</u>
<b>Median Age:</b>			
2010	44.6	39.1	37.2
2000	42.6	36.5	35.3
1990	39.3	33.6	32.9
<b>Median Family Income:</b>			
2010	\$ 95,804	\$ 81,165	\$ 51,144
2000	80,626	61,664	50,046
1990	64,195	44,367	35,225
<b>Per Capita Income:</b>			
2010	\$ 41,920	\$ 33,966	\$ 27,334
2000	39,560	25,952	21,587
1990	26,193	17,224	14,420

Source: U.S. Census Bureau

## PROPERTY TAXATION

### Tax Levy Computation

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

The following table shows the details of the calculation of the tax levies for the most recent fiscal years:

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Gross Amount to be Raised:	\$ 41,226,847	\$ 42,178,151	\$ 42,651,386	\$ 43,745,145	\$ 46,276,899
Appropriations (1)					
Other Local Expenditures	118,264	211,229	148,759	31,862	22,323
State & County Charges	307,219	354,894	379,062	395,064	424,672
Overlay Reserve	151,191	161,459	184,938	328,657	179,812
Total Gross Amount to be Raised	<u>\$ 41,803,520</u>	<u>\$ 42,905,733</u>	<u>\$ 43,364,144</u>	<u>\$ 44,500,728</u>	<u>\$ 46,903,705</u>
Less Estimated Receipts & Other Revenue:					
Estimated Receipts from State (2)	5,047,847	4,778,019	4,744,600	4,894,811	4,975,946
Estimated Receipts - Local	4,540,787	5,283,387	5,242,045	4,544,631	5,082,299
Available Funds Appropriated:					
Free Cash	726,620	566,566	150,143	831,209	1,015,367
Other Available Funds(3)	844,164	723,757	444,856	231,090	185,948
Total Estimated Receipts & Revenue	<u>11,159,418</u>	<u>11,351,729</u>	<u>10,581,643</u>	<u>10,501,741</u>	<u>11,259,560</u>
Net Amount to be Raised (Tax Levy)	<u><u>\$ 30,644,103</u></u>	<u><u>\$ 31,554,004</u></u>	<u><u>\$ 32,782,501</u></u>	<u><u>\$ 33,998,987</u></u>	<u><u>\$ 35,644,145</u></u>

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates.
- (3) Transfers from other available funds including "Free Cash" (see "Town Finances - Free Cash"), are generally made as an offset to a particular appropriation item. In addition, these transfers may include activity from the prior fiscal year occurring after the setting of the prior fiscal year's tax rate.

## Property Taxation

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

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

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

## Valuations

The following table shows the assessed and equalized valuations for the most recent fiscal years:

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita
				Residential	All Other		
2014	\$ 2,360,524,211	\$ 25,677,455	\$ 2,386,201,666	\$ 14.77	\$ 16.59	\$ 35,644,145	\$ 3,074
2013	2,247,758,511	27,280,229	2,275,038,740	14.82	16.29	33,998,987	2,932
2012	2,255,440,249	26,573,218	2,282,013,467	14.26	15.56	32,782,501	2,827
2011	2,294,939,512	28,471,946	2,323,411,458	13.49	14.61	31,554,034	2,721
2010	2,345,642,070	27,836,560	2,373,478,630	12.84	13.72	30,644,103	2,643

## Classification of Property

The table below shows the breakdown of the total assessed valuation for real estate for the most recent fiscal years.

Property Type	2012		2013		2014	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 2,123,210,848 (1)	93.0 %	\$ 2,109,861,396 (1)	92.7 %	\$ 2,192,128,356 (1)	91.9 %
Commercial	140,078,519	6.1	146,443,644	6.4	175,292,510	7.3
Industrial	18,724,100	0.8	18,733,700	0.8	18,780,800	0.8
Total Real Estate	<u>\$ 2,282,013,467</u>	<u>100.0 %</u>	<u>\$ 2,275,038,740</u>	<u>100.0 %</u>	<u>\$ 2,386,201,666</u>	<u>100.0 %</u>

(1) Includes personal property.

## Largest Taxpayers

The following is a list of the largest taxpayers for fiscal year 2014. All of the taxpayers listed below are current in their payments:

Name	Nature of Business	Assessed Valuation	Percent of Total Valuation
Market Street South LLC	Retail Mall	\$ 43,327,400	1.82 %
Lynnfield Commons LLC	Apartment Building	27,082,600	1.13
Arborpoint at Market Street LLC	Apartment Building	18,283,300	0.77
Ship Mall, LLC	Retail Condo	13,028,200	0.55
Herb Chambers of Lynnfield, Inc.	Car Dealership	12,592,900	0.53
JRT Realty LLC	Office	10,591,900	0.44
Verizon New England	Utility Personal Property	7,852,800	0.33
LIM Partnership BL Assoc.	Industrial	7,703,100	0.32
Salem Street 50 Realty Trust	Office	6,851,800	0.29
Total		<u>\$ 147,314,000</u>	<u>6.17 %</u>

## State Equalized Valuation and Estimated Full Value Tax Rate

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the Town of Lynnfield.

January 1,	State Equalized Valuation	% Change
2012	\$ 2,504,734,600	(2.33) %
2010	2,564,456,400	(3.78)
2008	2,665,254,600	4.93
2006	2,540,054,900	17.85
2004	2,155,386,200	25.13

## Overlay

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

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

The following shows the abatements granted as of June 30, 2013 for each of the last five fiscal years:

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted as of June 30, 2013
		Dollar Amount	As a % of Net Levy	
2013	\$ 33,670,330	\$ 328,657	0.98 %	\$ 193,653
2012	32,597,563	184,938	0.57	129,182
2011	31,392,545	161,459	0.51	199,696
2010	30,492,912	151,191	0.50	166,743
2009	27,802,666	234,315	0.84	152,259

(1) Gross tax levy minus overlay.

## Tax Collections

**Payment Dates.** The taxes for each fiscal year are due in two installments on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute preliminary tax payments are to be due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if the actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. The Town implemented quarterly tax billing effective fiscal year 1991.

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

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy (1)	Collections During Fiscal Year Payable(2)		Collections as of June 30, 2013 (2)	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2013	\$ 33,998,987	\$ 328,657	\$ 33,670,330	\$ 33,586,379	99.8 %	\$ 33,586,379	99.8 %
2012	32,782,501	184,938	32,597,563	32,212,516	98.8	32,433,841	99.5
2011	31,554,004	161,459	31,392,545	31,020,140	98.8	31,020,374	98.8
2010	30,644,103	151,191	30,492,912	29,918,357	98.1	30,220,049	99.1
2009	28,036,981	234,315	27,802,666	27,452,913	98.7	27,660,634	99.5

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

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

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

**Sale of Tax Receivables.** Cities and towns are authorized to sell delinquent property tax receivables, either individually or in bulk.

## Taxes Outstanding

The table below sets forth the balances of tax titles and possessions at the end of the following fiscal years.

	For Fiscal Year Ended June 30				
	2009	2010	2011	2012	2013
Aggregate (1)	\$ 164,933	\$ 204,357	\$ 255,533	\$ 268,261	\$ 299,087
For Current Year (1)	55,987	60,788	58,554	52,508	43,822
Tax Titles & Possessions	293,790	390,803	345,654	342,151	343,198

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



## **Taxation to Meet Deficits**

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

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

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

## **Tax Limitations**

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

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

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

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

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

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

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly. **In May 2006, the Town voted a \$2,818,000 operating override for fiscal 2007.**

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

### Tax Levies And Tax Levy Limits (1)

	Fiscal Year				
	2010	2011	2012	2013	2014
Primary Levy Limit (2)	\$ 59,336,966	\$ 58,085,286	\$ 57,050,337	\$ 56,875,969	\$ 59,655,042
Prior Fiscal Year Levy Limit	26,333,217	27,532,182	28,460,177	29,909,734	31,162,419
2.5% Levy Growth	658,330	688,305	711,504	747,743	779,060
New Growth (3)	540,635	239,690	178,053	493,468	906,691
Overrides	-	-	560,000	-	-
Growth Levy Limit	27,532,182	28,460,177	29,909,734	31,150,945	32,848,170
Debt Exclusions	3,120,730	3,109,824	2,887,829	2,862,287	2,818,541
Tax Levy Limit	30,652,912	31,570,001	32,797,563	34,013,232	35,666,711
Tax Levy	30,644,103	31,554,004	32,782,501	33,998,987	35,644,145
Unused Levy Capacity (4)	8,809	15,997	15,062	14,245	22,566
Unused Primary Levy Capacity (5)	<u>\$ 31,804,784</u>	<u>\$ 29,625,109</u>	<u>\$ 27,140,603</u>	<u>\$ 25,725,024</u>	<u>\$ 26,806,872</u>

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

### Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. See "Tax Increment Financing for Development Districts".

### Community Preservation Act

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

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

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

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

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

The Town has not adopted the Community Preservation Act.

## TOWN FINANCES

### Budget and Appropriation Process

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

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

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

The board of selectmen of a town with the concurrence of the finance committee may transfer within the last 2 months of the fiscal year any amount appropriated for the use of any department to the appropriation for any other department, provided that no such transfer may be made from any appropriation for a school department, regional school district, or municipal light department.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION" above.)

### Budget Comparison

The following table sets forth the budgets for fiscal years 2011 – 2015:

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
General Government	\$ 1,635,738	\$ 1,608,785	\$ 1,736,268	\$ 1,980,300	\$ 1,987,349
Public Safety	3,474,315	3,543,089	3,576,390	3,787,929	3,973,270
Education	20,031,259	20,956,759	21,744,548	22,618,846	23,636,871
Health & Human Services	283,343	362,146	386,902	403,557	417,955
Public Works	5,233,399	5,323,827	5,483,036	5,776,827	6,161,611
Culture & Recreation	639,683	661,735	725,857	745,623	805,494
Employee Benefits	4,849,216	4,917,768	5,039,073	5,204,089	5,285,561
Intergovernmental	349,969	380,428	402,145	409,681	322,301
Other Uses	198,249	429,175	833,129	731,527	1,425,123
Debt Service	3,160,793	3,108,368	3,140,118	3,088,467	3,173,100
Totals	<u>\$ 39,855,964</u>	<u>\$ 41,292,080</u>	<u>\$ 43,067,466</u>	<u>\$ 44,746,846</u>	<u>\$ 47,188,635</u>

## Revenues

### Property Taxes

Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION--Tax Limitations" above.

### State Aid

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

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

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

The following table sets forth the actual State aid received for the last five fiscal years and projected for the current year:

<u>Fiscal Year</u>	<u>Total State Aid</u>
2014 (projected)	\$4,975,946
2013	4,877,836
2012	4,715,457
2011	4,805,963
2010	4,990,753
2009	5,011,246

### State School Building Assistance Program

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

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

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments

to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

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

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

### **Motor Vehicle Excise**

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

The following table shows the actual motor vehicle excise receipts (net of refunds) in each of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Total</u>
2014 (projected)	\$2,250,000
2013	2,140,339
2012	1,987,219
2011	2,021,065
2010	1,824,060
2009	1,931,849

### **Local Options Meals Tax**

On July 1, 2011, the Town adopted the local meals excise tax. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. In fiscal 2013 the Town collected approximately \$109,664 in revenues. The Town expects to collect approximately \$200,000 and \$250,000 in revenues in fiscal years 2014 and 2015, respectively.

### **Investments of Town Funds**

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

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

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

### **Annual Audits**

The Town's accounts were most recently audited for the fiscal year ended June 30, 2013 by Melanson Heath & Company, PC, which is attached as Appendix A.

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

### **Summary of Significant Accounting Policies**

See Appendix A attached.

### **Financial Statements**

Set forth on the following pages are Governmental Funds Balance Sheets for fiscal years 2013, 2012 and 2011, and a Comparative Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years 2009 through 2013. The financial statements were extracted from annual audits and combined for purposes of this presentation.

**TOWN OF LYNNFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013 (1)**

	<u>General</u>	<u>Emergency Medical Services</u>	<u>Sale of Real Estate</u>	<u>High School Expansion</u>	<u>FY12 Capital Plan</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and short-term investments	\$ 3,848,393	\$ 96,073	\$ 1,293,798	\$ 275,290	\$ 145,508	\$ 1,973,499	\$ 7,632,561
Investments	1,535,771	-	-	-	-	814,672	2,350,443
Receivables:							
Property taxes	788,026	-	-	-	-	-	788,026
Excises	243,135	-	-	-	-	-	243,135
Intergovernmental	522,000	-	-	-	-	487,693	1,009,693
Departmental and other	2,730	101,537	-	-	-	959	105,226
<b>TOTAL ASSETS</b>	<u><u>\$ 6,940,055</u></u>	<u><u>\$ 197,610</u></u>	<u><u>\$ 1,293,798</u></u>	<u><u>\$ 275,290</u></u>	<u><u>\$ 145,508</u></u>	<u><u>\$ 3,276,823</u></u>	<u><u>\$ 12,129,084</u></u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Warrants payable	\$ 690,572	\$ 2,951	\$ -	\$ 229,846	\$ 3,441	\$ 121,742	\$ 1,048,552
Accrued liabilities	285,806	-	-	-	-	12,211	298,017
Notes payable	-	-	-	-	1,147,037	-	1,147,037
Other liabilities	569,130	-	-	-	-	-	569,130
<b>TOTAL LIABILITIES</b>	1,545,508	2,951	-	229,846	1,150,478	133,953	3,062,736
<b>DEFERRED INFLOWS OF RESOURCES</b>	887,788	101,537	-	-	-	959	990,284
Fund Balances:							
Nonspendable	-	-	-	-	-	801,450	801,450
Restricted	-	93,122	1,293,798	45,444	-	2,523,870	3,956,234
Committed	260,471	-	-	-	-	-	260,471
Assigned	921,176	-	-	-	-	-	921,176
Unassigned	3,325,112	-	-	-	(1,004,970)	(183,409)	2,136,733
<b>TOTAL FUND BALANCES</b>	4,506,759	93,122	1,293,798	45,444	(1,004,970)	3,141,911	8,076,064
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 6,940,055</u></u>	<u><u>\$ 197,610</u></u>	<u><u>\$ 1,293,798</u></u>	<u><u>\$ 275,290</u></u>	<u><u>\$ 145,508</u></u>	<u><u>\$ 3,276,823</u></u>	<u><u>\$ 12,129,084</u></u>

(1) Extracted from audited financial statements of the Town.



**TOWN OF LYNNFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2012(1)**

	<u>General</u>	<u>Emergency Medical Services</u>	<u>High School Expansion</u>	<u>FY12 Capital Plan</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and short-term investments	\$ 3,093,343	\$ 222,543	\$ 2,143,502	\$ 283,675	\$ 2,622,529	\$ 8,365,592
Investments	1,332,189	-	-	-	867,078	2,199,267
Receivables:						
Property taxes	804,432	-	-	-	-	804,432
Excises	188,945	-	-	-	-	188,945
Intergovernmental	-	-	121,274	-	358,245	479,519
Departmental and other	1,920	89,874	-	-	-	91,794
<b>TOTAL ASSETS</b>	<u><u>\$ 5,420,829</u></u>	<u><u>\$ 312,417</u></u>	<u><u>\$ 2,264,776</u></u>	<u><u>\$ 283,675</u></u>	<u><u>\$ 3,847,852</u></u>	<u><u>\$ 12,129,549</u></u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Warrants payable	\$ 624,497	\$ 1,373	\$ 232,705	\$ 6,244	\$ 86,849	\$ 951,668
Deferred revenues	827,460	89,874	-	-	-	917,334
Accrued liabilities	247,654	37,516	-	-	4,759	289,929
Tax refunds payable	114,116	-	-	-	-	114,116
Notes payable	-	-	2,300,000	1,147,037	252,841	3,699,878
Other liabilities	155,966	-	-	-	-	155,966
<b>TOTAL LIABILITIES</b>	1,969,693	128,763	2,532,705	1,153,281	344,449	6,128,891
Fund Balances:						
Nonspendable	-	-	-	-	776,909	776,909
Restricted	-	183,654	-	-	2,977,573	3,161,227
Committed	1,654,069	-	-	-	-	1,654,069
Assigned	999,492	-	-	-	-	999,492
Unassigned	797,575	-	(267,929)	(869,606)	(251,079)	(591,039)
<b>TOTAL FUND BALANCES</b>	<u>3,451,136</u>	<u>183,654</u>	<u>(267,929)</u>	<u>(869,606)</u>	<u>3,503,403</u>	<u>6,000,658</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 5,420,829</u></u>	<u><u>\$ 312,417</u></u>	<u><u>\$ 2,264,776</u></u>	<u><u>\$ 283,675</u></u>	<u><u>\$ 3,847,852</u></u>	<u><u>\$ 12,129,549</u></u>

(1) Extracted from audited financial statements of the Town.

**TOWN OF LYNNFIELD, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011(1)**

	<u>General</u>	<u>Emergency Medical Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 2,494,959	\$ 257,618	\$ 2,438,818	\$ 5,191,395
Investments	1,320,249	-	754,600	2,074,849
Receivables:				
Property taxes	772,543	-	-	772,543
Excises	196,093	-	-	196,093
Intergovernmental	-	-	330,566	330,566
Departmental and other	-	127,189	-	127,189
<b>TOTAL ASSETS</b>	<u><b>\$ 4,783,844</b></u>	<u><b>\$ 384,807</b></u>	<u><b>\$ 3,523,984</b></u>	<u><b>\$ 8,692,635</b></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 577,228	\$ 3,436	\$ 209,955	\$ 790,619
Deferred revenues	814,236	127,189	-	941,425
Accrued liabilities	188,112	662	2,836	191,610
Tax refunds payable	105,830	-	-	105,830
Notes payable	-	-	452,841	452,841
Other liabilities	195,591	-	-	195,591
<b>TOTAL LIABILITIES</b>	<b>1,880,997</b>	<b>131,287</b>	<b>665,632</b>	<b>2,677,916</b>
Fund Balances:				
Nonspendable	-	-	757,400	757,400
Restricted	-	253,520	2,562,153	2,815,673
Committed	1,758,516	-	179,500	1,938,016
Assigned	344,042	-	-	344,042
Unassigned	800,289	-	(640,701)	159,588
<b>TOTAL FUND BALANCES</b>	<u><b>2,902,847</b></u>	<u><b>253,520</b></u>	<u><b>2,858,352</b></u>	<u><b>6,014,719</b></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 4,783,844</b></u>	<u><b>\$ 384,807</b></u>	<u><b>\$ 3,523,984</b></u>	<u><b>\$ 8,692,635</b></u>

(1) Extracted from audited financial statements of the Town.

**Town of Lynnfield, Massachusetts**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances (1)**  
**General Fund**

	For Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
<b><u>Revenue</u></b>					
Property Taxes	\$ 27,578,271	\$ 30,574,242	\$ 31,354,616	\$ 32,604,999	\$ 33,848,542
Excises	1,931,850	1,824,060	2,021,065	1,987,219	2,250,003
Interest, penalties and other taxes	121,296	93,220	151,515	185,823	111,671
Payments in lieu of taxes	300,039	320,970	332,554	347,862	356,106
Licenses and permits	340,353	252,778	301,269	336,628	425,073
Intergovernmental	8,839,040	9,075,683	9,146,241	9,168,080	9,862,376
Charges for services	422,574	378,110	420,426	397,854	436,362
Investment Income	15,682	4,205	20,625	25,731	4,203
Fines and forfeitures	107,216	95,307	73,424	77,670	81,872
Miscellaneous	982,880	161,241	12,932	95,580	18,638
Total Revenues	<u>\$ 40,639,201</u>	<u>\$ 42,779,816</u>	<u>\$ 43,834,667</u>	<u>\$ 45,227,446</u>	<u>\$ 47,394,846</u>
<b><u>Expenditures</u></b>					
General government	\$ 1,536,879	\$ 1,607,558	\$ 1,543,972	\$ 1,501,650	\$ 1,756,644
Public safety	3,809,978	3,669,388	3,529,161	3,648,327	3,680,880
Education	22,767,561	24,153,902	24,683,942	25,700,677	26,671,297
Public works	5,561,777	5,276,972	5,466,446	5,245,620	5,464,657
Health and human services	277,518	287,232	319,115	366,891	375,558
Culture and recreation	638,130	641,178	632,252	667,680	735,134
Insurance and benefits	4,212,501	4,385,411	4,796,870	4,773,386	4,816,536
Debt service	2,795,928	2,744,269	2,370,463	2,309,029	2,554,929
Intergovernmental	289,895	315,836	331,518	375,678	400,171
Total Expenditures	<u>41,890,167</u>	<u>43,081,746</u>	<u>43,673,739</u>	<u>44,588,938</u>	<u>46,455,806</u>
Excess (deficiency) of revenues over expenditures	\$ (1,250,966)	\$ (301,930)	\$ 160,928	\$ 638,508	\$ 939,040
Other Financing Sources (Uses)					
Bond proceeds	-	-	-	-	12,435,000
Bond premiums	-	-	-	-	1,616,929
Payments to refunding bond escrow agent	-	-	-	-	(13,735,119)
Transfers In	2,497,245	810,939	559,890	709,119	613,090
Transfers Out	(1,437,021)	(789,542)	(970,818)	(799,338)	(813,317)
Total Other Financing Sources (Uses)	<u>1,060,224</u>	<u>21,397</u>	<u>(410,928)</u>	<u>(90,219)</u>	<u>116,583</u>
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures & Other Uses	\$ (190,742)	\$ (280,533)	\$ (250,000)	\$ 548,289	\$ 1,055,623
Fund Balance, Beginning of Year	<u>1,839,936</u>	<u>1,649,194</u>	<u>3,152,847</u>	<u>2,902,847</u>	<u>3,451,136</u>
Fund Balance, End of Year	<u>\$ 1,649,194</u>	<u>\$ 1,368,661</u>	<u>\$ 2,902,847</u>	<u>\$ 3,451,136</u>	<u>\$ 4,506,759</u>

(1) Extracted from the audited financial statements of the Town.

## Unassigned General Fund Balance and Free Cash

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

<u>Year</u>	Unassigned/Undesignated General Fund Balance (June 30) (1)	Free Cash (July 1)
2014 (Estimate)	\$2,600,000	\$750,000
2013	3,325,112	1,324,742
2012	797,575	637,045
2011	800,289	831,843
2010	201,306	178,241
2009	530,585	618,047

(1) Reflects Unassigned Fund Balance in accordance with GASB 54 reporting requirements beginning in fiscal 2011.

## Stabilization Fund

The Town has maintained a Stabilization Fund for several years. Under Massachusetts statutes, funds may be appropriated from the Stabilization Fund for any municipal purpose. The following is the balance in the Stabilization Fund at the end of the most recent fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2014 (Estimate)	\$980,000
2013	972,642
2012	872,834
2011	857,069
2010	1,099,760
2009	1,294,514

## Sale of Real Estate Fund

The Town has maintained a "Sale of Real Estate Fund" for several years. Under Massachusetts Statutes funds may be appropriated from the Sale of Real Estate Fund for any purpose for which a municipality is authorized to incur debt for a period of five years or more. The table below has the balances in the Sale of Real Estate Fund at the end of the following fiscal years:

<u>Fiscal Year</u>	<u>Balance</u>
2014 (Estimate)	\$225,000
2013	1,293,798
2012	1,019,598
2011	869,598
2010	859,152
2009	279,155

### Capital Facilities Maintenance Fund

The Town has created a capital facilities maintenance fund. This fund can be appropriated into by majority vote and appropriated out of by a two thirds vote. The table below has the balances in the capital facilities fund at the end of the following fiscal years.

<u>Fiscal Year</u>	<u>Balance</u>
2014 (Estimate)	\$580,000
2013	599,640
2012	600,371
2011	591,175
2010	684,425
2009	781,181

### Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Tax Limitations" under "PROPERTY TAXATION" above.) The Town has not established such a district.

## INDEBTEDNESS

### Authorization Of General Obligation Bonds and Notes

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

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

### Debt Limits

General Debt Limit. The general debt limit of the Town consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Municipal Finance Oversight Board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

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

### Types Of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount. Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above.

The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

**Revenue Bonds.** Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy. The Town does not have an electric department.

### **DIRECT DEBT SUMMARY** **Projected as of June 30, 2014**

The following shows the direct debt to be outstanding projected as of June 30, 2014.

General Obligation Bonds Outstanding (1)		
School (2)	\$ 13,995,000	
General (3)	1,605,000	
Golf Course (4)	7,560,000	
MWPAT (5)	<u>480,819</u>	
Total Long Term Debt		\$ 23,640,819
Short Term Debt Outstanding		
Bond Anticipation Notes (6)	1,147,037	
Total Short Term Debt Outstanding		<u>1,147,037</u>
Total Direct Debt After These Issues		<u><u>\$ 24,787,856</u></u>

- (1) Does not include lease and installment purchase obligations, overlapping debt, unfunded pension liability or other post-employment benefits liability.
- (2) \$13,985,000 has been excluded from the limitations of Proposition 2 ½.
- (3) \$910,000 has been excluded from the limitations of Proposition 2 ½.
- (4) Has been excluded from the limitations of Proposition 2 ½.
- (5) Does not reflect MWPAT subsidy. The debt has been excluded from the limitations of Proposition 2 ½ and is not subject to the Town's debt limit.
- (6) Payable June 19, 2015 (this issue).

## Debt Ratios

The table below sets forth debt as a percentage of equalized valuation and per capita debt at the end of the following fiscal years. The table considers the principal amount of general obligation bonds and serial notes of the Town of Lynnfield. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues. (See "Direct Debt Summary".)

Fiscal Year End	General Obligation Bonds Outstanding	Population (1)	Assessed Valuation	Per Capita Debt	Ratio of Debt To Assessed Valuation
2014 (2)	\$ 23,640,819	11,596	\$ 2,386,201,666	\$ 2,039	0.99 %
2013	25,878,419	11,596	2,275,038,740	2,232	1.14
2012	25,785,677	11,596	2,282,013,467	2,224	1.13
2011	27,615,777	11,596	2,323,411,458	2,381	1.19
2010	29,630,876	11,596	2,373,478,630	2,555	1.25
2009	31,940,976	11,596	2,469,628,685	2,754	1.29

(1) 2010 Population.

(2) Projected.

## Debt Service Requirements

The following table sets forth the required principal and interest payments on all general obligation debt of the Town.

### GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS PROJECTED AS OF JUNE 30, 2014

Fiscal Year	Outstanding		MWPAT Subsidy	Total Net Debt
	Principal (1)	Interest (1)		
2015	\$ 2,182,611	\$ 802,792	\$ (2,303)	\$ 2,983,100
2016	2,177,626	734,799	(1,786)	2,910,640
2017	2,177,641	664,101	(1,268)	2,840,473
2018	2,197,656	585,858	(757)	2,782,757
2019	2,197,670	506,629	(252)	2,704,046
2020	2,137,589	426,476	-	2,564,065
2021	2,147,604	347,359	-	2,494,963
2022	2,162,619	266,644	-	2,429,263
2023	2,067,634	185,769	-	2,253,403
2024	1,502,649	121,906	-	1,624,555
2025	1,502,664	73,794	-	1,576,458
2026	152,679	30,619	-	183,298
2027	147,694	26,719	-	174,413
2028	147,709	22,969	-	170,678
2029	147,725	19,219	-	166,944
2030	147,740	15,469	-	163,209
2031	147,755	11,719	-	159,474
2032	147,770	7,813	-	155,583
2033	147,785	3,906	-	151,691
Total	<u>\$ 23,640,819</u>	<u>\$ 4,854,558</u>	<u>\$ (6,367)</u>	<u>\$ 28,489,010</u>

(1) \$22,695,620 of principal and \$4,769,801 of interest has been exempted from the limitations of Proposition 2 1/2. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.



## Principal Payments by Purpose

The following table sets forth the projected principal payments by purpose for the Town's outstanding debt. Of the \$23,640,818 total amount outstanding, \$10,933,202 or 46.3% is to be paid by the end of fiscal year 2019, and \$20,951,297 or 88.6% is to be paid by the end of fiscal year 2024.

### GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE Projected as of June 30, 2014

Fiscal Year	School	General	Golf Course	MWPAT	Total Outstanding Principal
2015	\$ 1,335,000	\$ 261,000	\$ 554,000	\$ 32,611	\$ 2,182,611
2016	1,320,000	246,000	579,000	32,626	2,177,626
2017	1,305,000	236,000	604,000	32,641	2,177,641
2018	1,305,000	231,000	629,000	32,656	2,197,656
2019	1,300,000	211,000	654,000	32,670	2,197,670
2020	1,295,000	145,000	675,000	22,589	2,137,589
2021	1,280,000	130,000	715,000	22,604	2,147,604
2022	1,270,000	125,000	745,000	22,619	2,162,619
2023	1,260,000	15,000	770,000	22,634	2,067,634
2024	670,000	5,000	805,000	22,649	1,502,649
2025	650,000	-	830,000	22,664	1,502,664
2026	130,000	-	-	22,679	152,679
2027	125,000	-	-	22,694	147,694
2028	125,000	-	-	22,709	147,709
2029	125,000	-	-	22,725	147,725
2030	125,000	-	-	22,740	147,740
2031	125,000	-	-	22,755	147,755
2032	125,000	-	-	22,770	147,770
2033	125,000	-	-	22,785	147,785
	<u>\$ 13,995,000</u>	<u>\$ 1,605,000</u>	<u>\$ 7,560,000</u>	<u>\$ 480,819</u>	<u>\$ 23,640,819</u>

## Authorized Unissued Debt

The Town has approximately \$3,951,196 authorized unissued debt for a golf course (\$837,000), high school project (\$1,900,000) and other various municipal purposes.

## Contracts

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

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

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, (see Constitutional Status and Form of Government above), cities and towns may also be empowered to make other contracts and leases.

The Town has not entered into any long-term contracts of a substantial nature.

### Overlapping Debt

The following table sets forth the portion of overlapping debt assessed to the Town: (1)

	<u>Outstanding 6/30/13</u>	<u>Authorized Unissued</u>	<u>Estimated Share of Lynnfield</u>	<u>Assessments for Operations and Debt Service FY 2014</u>
Essex North Shore Agricultural and Technical School District (2)	\$405,000	\$0	0%	\$ 287,775
Massachusetts Bay Transportation Authority (3)	\$5,531,383,476	(See below)	0.15	247,703

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

(2) Source: Treasurer, Essex North Shore Agricultural and Technical School District. Debt as of June 30, 2013. The operating expenses of regional school districts, including debt service when applicable, are apportioned among the member municipalities in accordance with the agreements establishing the districts, subject to the provisions of the Education Reform Act of 1993. The District is currently constructing a new \$133 million campus complex. The MSBA and The Commonwealth of Massachusetts are contributing approximately \$99 million of the project costs. The District expects to appropriate \$4 million available funds and issue bonds for approximately \$30 million within the next two years to cover the balance of project costs. Debt service costs will be apportioned annually to the 17 member communities in accordance with the district agreement.

(3) Source: The MBTA . Debt as of June 30, 2013. The Massachusetts Bay Transportation Authority (the "MBTA") was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is not permitted to increase by more than 2.5 percent per year.

### Underlying Debt

Local Districts. There are local districts within a number of towns organized for special purposes, such as fire protection, water and sewer. Except to the extent met from betterment assessments or user charges, their debt service is ordinarily assessed, along with operating expenses, on the taxable property within the district. The Lynnfield Water and Lynnfield Center Water Districts provide water services to substantially all the territory located within the Town.

	<u>% of Town Covered</u>	<u>Debt Outstanding (1)</u>	<u>Authorized Unissued</u>
Lynnfield Water District (2)	33%	\$ 19,094	\$0
Lynnfield Center Water District	66%	1,610,000	0

(1) Debt is as of June 30, 2013.

(2) Provides water through Massachusetts Water Resources Authority.

## RETIREMENT PLAN

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

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

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

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

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

The Town contributes to the Essex Regional Retirement System (the System), a cost-sharing multi-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Plan members are required to pay into the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required

to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32 of the Massachusetts General Laws governs the contributions of plan members and the Town. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, MA or on its website at <http://www.essexregional.com>. The valuation study as of January 1, 2013 and the funding schedule are also available on the System's website.

The annual contributions of the Town to the retirement system for the most recent fiscal years as well as the amount budgeted for fiscal 2014 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014 (budgeted)	\$1,875,583
2013	1,722,459
2012	1,572,093
2011	1,464,305
2010	1,325,726
2009	1,254,711

The unfunded pension benefit obligation of the contributory retirement system on January 1, 2013 was as follows:

	<u>January 1, 2013</u>
Actuarial Accrued Liabilities	\$619,339,080
Market Value of Fund Assets	<u>314,565,925</u>
Unfunded Pension Benefit Obligation (UAAL)	\$304,773,155

The Town's share of the System's UAAL was \$23,589,442, or approximately 7.74%.

#### **Essex Regional Retirement System Funding Schedule**

<u>Fiscal Year Ended June 30</u>	<u>Normal Cost</u>	<u>Unfunded Liability</u>	<u>Funding Amortization of UAL</u>	<u>Net 3(8)(c) Payments</u>	<u>Schedule Contribution</u>	<u>Adjusted Payments</u>
2015	\$ 4,811,849	\$ 323,255,484	\$ 19,813,206	\$ 1,433,638	\$ 26,058,693	\$ 26,560,007
2016	5,004,323	327,717,660	21,444,840	1,433,638	27,882,801	28,419,207
2017	5,204,496	343,101,543	23,196,464	1,433,638	29,834,598	30,408,552
2018	5,412,676	345,497,486	25,076,706	1,433,638	31,923,020	32,537,151
2019	5,629,183	344,600,709	27,094,810	1,433,638	34,157,631	34,814,751
2020	5,854,350	342,906,371	28,235,948	1,433,638	35,523,936	36,207,341
2021	6,088,524	339,844,057	29,422,731	1,433,638	36,944,893	37,655,635
2022	6,332,065	335,255,032	30,656,986	1,433,638	38,422,689	39,161,860
2023	6,585,348	328,965,890	31,940,611	1,433,638	39,959,597	40,728,335
2024	6,848,762	320,787,301	33,275,581	1,433,638	41,557,981	42,357,468
2025	7,122,712	310,512,658	34,663,950	1,433,638	43,220,300	44,051,767
2026	7,407,620	297,916,605	36,107,853	1,433,638	44,949,111	45,813,837
2027	7,703,925	282,753,452	37,609,513	1,433,638	46,747,076	47,646,391
2028	8,012,082	264,755,454	39,171,239	1,433,638	48,616,959	49,552,246
2029	8,332,566	243,630,953	40,795,434	1,433,638	50,561,638	51,534,336
2030	8,665,868	219,062,360	42,484,597	1,433,638	52,584,103	53,595,710
2031	9,012,503	190,703,985	44,241,326	1,433,638	54,687,467	55,739,538
2032	9,373,003	158,179,671	46,068,325	1,433,638	56,874,966	57,989,120
2033	9,747,923	121,080,254	47,968,403	1,433,638	59,149,964	60,287,884
2034	10,137,840	78,960,799	49,944,485	1,433,638	61,515,963	62,699,400
2035	10,543,354	31,337,620	31,337,620	1,433,638	43,314,612	44,147,893
2036	10,965,088	-	-	1,433,638	12,398,726	12,637,251

The foregoing data do not include the retirement system costs or liabilities attributable to employees of the county or the retirement system costs or liabilities of any other entity of which the Town is a constituent part.

See Appendix A, the Town's audited financial statements, for additional information relating to the retirement system.

### Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Benefit Costs</u>
2013	\$ 1,651,254
2012	1,999,064
2011	1,740,380
2010	1,578,703
2009	1,468,119

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

The Town was required to implement the new GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The Town hired Angell Pension Group to perform an actuarial valuation of its non-pension, post-employment benefit liability. As of June 30, 2012, the Town's unfunded actuarial accrued liability is approximately \$52,149,954 and the annual required contribution is approximately \$5,626,555, assuming a 4% discount rate. The Town has created an OPEB Trust Fund for this purpose.

### COLLECTIVE BARGAINING

City and town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The Town has approximately 395 full-time employees of which approximately 76 percent belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Expiration Date</u>
AFSCME	Public Works	15	6/30/16
AFSCME	Town Clerical	8	6/30/16
AFSCME	Custodial/Bus drivers	24	6/30/16
Professional Firefighters of Massachusetts - Local #2472 IAFF	Fire	7	6/30/16
Lynnfield Police Association	Police	18	6/30/16
AFSCME - Local #3434	School Cafeteria	10	6/30/16
Lynnfield Teachers Association	School Teachers	246	8/31/16
Mass Library Staff Assoc.	Library	15	6/30/16
SEC/Clerical	School	17	6/30/16
Lynnfield Public Safety Dispatchers Assoc.	Police	0	6/30/16
		<u>360</u>	

## **LITIGATION**

The Town is involved in a number of lawsuits. In the opinion of the Town, the ultimate resolution of these legal actions will not have a material adverse impact on the financial condition of the Town.

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TOWN OF LYNNFIELD, MASSACHUSETTS  
/s/ Christine O'Sullivan, Treasurer

June 5, 2014

**TOWN OF LYNNFIELD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2013**

**Town of Lynnfield, Massachusetts**

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERSHIP: AICPA, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Lynnfield, Massachusetts

### **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, 2013, 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2013, 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 Management's Discussion and Analysis and Schedule of Funding Progress 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
January 30, 2014

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

As management of the Town of Lynnfield, Massachusetts we offer readers this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013.

### **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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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, insurance and benefits, interest on debt, and intergovernmental assessments. The business-type activity includes Golf Course 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 funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for the Town's Golf Course operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Golf Course operation, which is considered to be a major fund.

**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 total of assets exceeded liabilities by \$48,905,052 (i.e., net position), a change of \$883,149 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$8,076,064, a change of \$2,075,406 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,325,112, a change of \$1,054,333 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$25,878,419, a change of \$92,741 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.

### NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 12,229	\$ 12,299	\$ 339	\$ 409	\$ 12,568	\$ 12,708
Capital assets	<u>70,822</u>	<u>69,647</u>	<u>13,064</u>	<u>12,127</u>	<u>83,886</u>	<u>81,774</u>
Total assets	83,051	81,946	13,403	12,536	96,454	94,482
Current liabilities	5,184	5,519	652	653	5,836	6,172
Noncurrent liabilities	33,890	31,878	7,560	8,094	41,450	39,972
Deferred inflows	<u>264</u>	<u>316</u>	<u>-</u>	<u>-</u>	<u>264</u>	<u>316</u>
Total liabilities and deferred inflows	39,338	37,713	8,212	8,747	47,550	46,460
Net position:						
Net investment in capital assets	52,661	52,745	4,976	3,514	57,637	56,259
Restricted	4,515	3,754	-	-	4,515	3,754
Unrestricted	<u>(13,463)</u>	<u>(12,266)</u>	<u>215</u>	<u>275</u>	<u>(13,248)</u>	<u>(11,991)</u>
Total net position	<u>\$ 43,713</u>	<u>\$ 44,233</u>	<u>\$ 5,191</u>	<u>\$ 3,789</u>	<u>\$ 48,904</u>	<u>\$ 48,022</u>

# CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,675	\$ 3,663	\$ 507	\$ 692	\$ 4,182	\$ 4,355
Operating grants and contributions	10,722	10,087	-	-	10,722	10,087
Capital grants and contributions	1,761	569	-	-	1,761	569
General revenues:						
Property taxes	33,859	32,613	-	-	33,859	32,613
Excises	2,282	2,060	-	-	2,282	2,060
Penalties and interest on taxes	468	457	-	-	468	457
Grants and contributions not restricted to specific programs	1,022	1,010	-	-	1,022	1,010
Investment income	4	26	1	1	5	27
Other	1,459	245	968	-	2,427	245
Total revenues	<u>55,252</u>	<u>50,730</u>	<u>1,476</u>	<u>693</u>	<u>56,728</u>	<u>51,423</u>
Expenses:						
General government	1,961	1,705	-	-	1,961	1,705
Public safety	4,707	4,646	-	-	4,707	4,646
Education	31,410	30,897	-	-	31,410	30,897
Public works	6,035	5,551	-	-	6,035	5,551
Health and human services	547	535	-	-	547	535
Culture and recreation	846	821	-	-	846	821
Insurance and benefits	8,161	8,209	-	-	8,161	8,209
Interest on long-term debt	915	742	-	-	915	742
Intergovernmental	400	376	-	-	400	376
Golf course	-	-	887	977	887	977
Total expenses	<u>54,982</u>	<u>53,482</u>	<u>887</u>	<u>977</u>	<u>55,869</u>	<u>54,459</u>
Change in net position before transfers and permanent fund contributions	270	(2,752)	589	(284)	859	(3,036)
Transfers in (out)	(813)	(799)	813	799	-	-
Permanent fund contributions	23	22	-	-	23	22
Change in net position	(520)	(3,529)	1,402	515	882	(3,014)
Net position - beginning of year	<u>44,233</u>	<u>47,762</u>	<u>3,789</u>	<u>3,274</u>	<u>48,022</u>	<u>51,036</u>
Net position - end of year	<u>\$ 43,713</u>	<u>\$ 44,233</u>	<u>\$ 5,191</u>	<u>\$ 3,789</u>	<u>\$ 48,904</u>	<u>\$ 48,022</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 \$48,905,052, a change of \$883,149 from the prior year.

The largest portion of net position, \$57,637,680, reflects our investment in capital assets (e.g., land and construction in progress, buildings and improvements,

machinery, equipment and furnishings), 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 \$4,515,269 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$(13,247,897), which was primarily caused by the Town's unfunded other post-employment benefit (OPEB) costs.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(519,810). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,055,623
Emergency Medical Services fund change in fund balance	(90,532)
Major capital project funds change in fund balance (accrual basis)	1,244,486
Sale of Real Estate fund change in fund balance	274,200
Nonmajor funds change in fund balance (accrual basis)	823,201
Depreciation expense in excess of principal debt service	(1,479,174)
Change in other post-employment benefit liability	(3,279,034)
Refunding bond payoff	750,000
Other revenue and expense accruals	181,420
Total	<u>\$ (519,810)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$1,402,959. Key elements of this change are as follows:

Golf Course operations	\$ 434,259
Capital contribution - King Rail land	<u>968,700</u>
Total	<u>\$ 1,402,959</u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S 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 \$8,076,064, a change of \$2,075,406 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)	\$ 1,055,623
Emergency Medical Services fund change in fund balance	(90,532)
Sale of Real Estate fund change in fund balance	274,200
Major capital project funds change in fund balance	178,009
Nonmajor funds change in fund balance	<u>658,106</u>
Total	<u>\$ 2,075,406</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,325,112, while total fund balance was \$4,506,759. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 3,325,112	\$ 2,270,779	\$ 1,054,333	7.2%
Total fund balance	\$ 4,506,759	\$ 3,451,136	\$ 1,055,623	9.7%

The total fund balance of the general fund changed by \$1,055,623 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (826,650)
Revenues in excess of budget	1,191,979
Expenditures less than budget	210,499
Current year encumbrances in excess of prior year encumbrances	196,290
Change in stabilization funds balance	99,077
Other	<u>184,428</u>
Total	<u>\$ 1,055,623</u>

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
General stabilization fund	\$ 972,642	\$ 872,834	\$ 99,808
Capital facilities maintenance fund	<u>599,640</u>	<u>600,371</u>	<u>(731)</u>
Total	<u>\$ 1,572,282</u>	<u>\$ 1,473,205</u>	<u>\$ 99,077</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 Golf Course enterprise fund at the end of the year amounted to \$215,013, a change of \$(59,785) 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 \$12,000. This change was funded by transfers from special revenue funds.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$83,885,529 (net of accumulated depreciation), a change of \$2,111,617 from the prior year. This investment in capital assets includes land and construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure assets.

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

- \$3,631,477 for the High School expansion project.
- \$968,700 for the acquisition of the King Rail golf course land.
- \$381,737 for various road improvements.
- \$119,717 for various departmental machinery, equipment, and furnishings, including several highway trucks.
- \$46,977 for various building improvements and construction in progress, including repairs to High School fields.
- Total current year depreciation expense of \$(3,036,991).

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$25,878,419, all of which was backed by the full faith and credit of the government.

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 Asst. Finance Director/Town Accountant  
Town of Lynnfield, Massachusetts  
55 Summer Street  
Lynnfield, Massachusetts 01940

## TOWN OF LYNNFIELD, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 7,632,561	\$ 339,198	\$ 7,971,759
Investments	2,350,443	-	2,350,443
Receivables, net of allowance for uncollectibles:			
Property taxes	423,238	-	423,238
Excises	167,926	-	167,926
Intergovernmental	1,009,693	-	1,009,693
Departmental and other	105,226	-	105,226
Betterments	16,294	-	16,294
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	275,662	-	275,662
Betterments	247,909	-	247,909
Land and construction in progress	10,496,776	12,611,793	23,108,569
Capital assets, net of accumulated depreciation	<u>60,325,081</u>	<u>451,879</u>	<u>60,776,960</u>
<b>TOTAL ASSETS</b>	<b>83,050,809</b>	<b>13,402,870</b>	<b>96,453,679</b>
<b>LIABILITIES</b>			
Current:			
Warrants and accounts payable	1,048,553	12,171	1,060,724
Accrued liabilities	491,843	105,253	597,096
Notes payable	1,147,037	-	1,147,037
Other current liabilities	569,130	-	569,130
Current portion of long-term liabilities:			
Bonds payable	1,703,600	534,000	2,237,600
Compensated absences	223,128	-	223,128
Noncurrent:			
Bonds payable, net of current portion	16,080,819	7,560,000	23,640,819
Compensated absences, net of current portion	359,606	-	359,606
Other post-employment benefits	17,449,284	-	17,449,284
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>264,203</u>	<u>-</u>	<u>264,203</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>39,337,203</b>	<b>8,211,424</b>	<b>47,548,627</b>
<b>NET POSITION</b>			
Net investment in capital assets	52,661,247	4,976,433	57,637,680
Restricted for:			
Grants and other statutory restrictions	3,670,455	-	3,670,455
Permanent funds:			
Nonexpendable	801,450	-	801,450
Expendable	43,364	-	43,364
Unrestricted	<u>(13,462,910)</u>	<u>215,013</u>	<u>(13,247,897)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>43,713,608</u></b>	<b>\$ <u>5,191,446</u></b>	<b>\$ <u>48,905,052</u></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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 1,961,343	\$ 212,698	\$ 792,466	\$ -	\$ (956,179)	\$ -	\$ (956,179)
Public safety	4,706,569	999,297	88,231	-	(3,619,041)	-	(3,619,041)
Education	31,409,770	2,066,267	9,656,548	1,379,849	(18,307,106)	-	(18,307,106)
Public works	6,034,878	118,060	44,823	381,737	(5,490,258)	-	(5,490,258)
Health and human services	547,131	155,707	53,796	-	(337,628)	-	(337,628)
Culture and recreation	845,631	122,358	20,155	-	(703,118)	-	(703,118)
Insurance and benefits	8,161,277	-	65,707	-	(8,095,570)	-	(8,095,570)
Interest	915,256	-	-	-	(915,256)	-	(915,256)
Intergovernmental	400,171	-	-	-	(400,171)	-	(400,171)
Total Governmental Activities	54,982,026	3,674,387	10,721,726	1,761,586	(38,824,327)	-	(38,824,327)
<b>Business-Type Activities:</b>							
Golf Course	887,200	507,443	-	-	-	(379,757)	(379,757)
Total Business-Type Activities	887,200	507,443	-	-	-	(379,757)	(379,757)
Total	\$ 55,869,226	\$ 4,181,830	\$ 10,721,726	\$ 1,761,586	(38,824,327)	(379,757)	(39,204,084)
<b>General Revenues, Transfers, and Contributions:</b>							
Property taxes					33,859,481	-	33,859,481
Excises					2,282,217	-	2,282,217
Penalties, interest and other taxes					467,777	-	467,777
Grants and contributions not restricted to specific programs					1,021,952	-	1,021,952
Investment income					4,203	699	4,902
Capital donations					-	968,700	968,700
Debt premiums					1,066,810	-	1,066,810
Other					392,544	-	392,544
Transfers, net					(813,317)	813,317	-
Permanent fund contributions					22,850	-	22,850
Total general revenues, transfers, and contributions					38,304,517	1,782,716	40,087,233
Change in Net Position					(519,810)	1,402,959	883,149
<b>Net Position:</b>							
Beginning of year					44,233,416	3,788,487	48,021,903
End of year					\$ 43,713,606	\$ 5,191,446	\$ 48,905,052

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

## TOWN OF LYNNFIELD, MASSACHUSETTS

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2013

	General Fund	Emergency Medical Services	Sale of Real Estate	High School Expansion	FY12 Capital Plan	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and short-term investments	\$ 3,848,393	\$ 96,073	\$ 1,293,798	\$ 275,290	\$ 145,508	\$ 1,973,499	\$ 7,632,561
Investments	1,535,771	-	-	-	-	814,672	2,350,443
Receivables:							
Property taxes	788,026	-	-	-	-	-	788,026
Excises	243,135	-	-	-	-	-	243,135
Intergovernmental	522,000	-	-	-	-	487,693	1,009,693
Departmental and other	2,730	101,537	-	-	-	959	105,226
<b>TOTAL ASSETS</b>	<b>\$ 6,940,055</b>	<b>\$ 197,610</b>	<b>\$ 1,293,798</b>	<b>\$ 275,290</b>	<b>\$ 145,508</b>	<b>\$ 3,276,823</b>	<b>\$ 12,129,084</b>
<b>LIABILITIES</b>							
Warrants payable	\$ 690,572	\$ 2,951	\$ -	\$ 229,846	\$ 3,441	\$ 121,742	\$ 1,048,552
Accrued liabilities	285,806	-	-	-	-	12,211	298,017
Notes payable	-	-	-	-	1,147,037	-	1,147,037
Other liabilities	569,130	-	-	-	-	-	569,130
<b>TOTAL LIABILITIES</b>	<b>1,545,508</b>	<b>2,951</b>	<b>-</b>	<b>229,846</b>	<b>1,150,478</b>	<b>133,953</b>	<b>3,062,736</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>887,788</b>	<b>101,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959</b>	<b>990,284</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	801,450	801,450
Restricted	-	93,122	1,293,798	45,444	-	2,523,870	3,956,234
Committed	260,471	-	-	-	-	-	260,471
Assigned	921,176	-	-	-	-	-	921,176
Unassigned	3,325,112	-	-	-	(1,004,970)	(183,409)	2,136,733
<b>TOTAL FUND BALANCES</b>	<b>4,506,759</b>	<b>93,122</b>	<b>1,293,798</b>	<b>45,444</b>	<b>(1,004,970)</b>	<b>3,141,911</b>	<b>8,076,064</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,940,055</b>	<b>\$ 197,610</b>	<b>\$ 1,293,798</b>	<b>\$ 275,290</b>	<b>\$ 145,508</b>	<b>\$ 3,276,823</b>	<b>\$ 12,129,084</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, 2013

<b>Total governmental fund balances</b>	\$ 8,076,064
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	70,821,857
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	825,948
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(193,826)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(35,816,437)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 43,713,606</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, 2013

	General Fund	Emergency Medical Services	Sale of Real Estate	High School Expansion	FY12 Capital Plan	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Property taxes	\$ 33,848,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,848,542
Excises	2,250,003	-	-	-	-	-	2,250,003
Penalties, interest and other taxes	111,571	-	-	-	-	-	111,571
Payments in lieu of taxes	356,106	-	-	-	-	-	356,106
Charges for services	436,352	506,656	-	-	-	2,212,407	3,155,485
Intergovernmental	9,652,375	-	-	1,379,849	-	1,820,677	13,062,902
Licenses and permits	425,073	-	-	-	-	-	425,073
Fines and forfeitures	81,872	-	-	-	-	-	81,872
Investment income	4,203	919	-	-	-	(532)	4,590
Miscellaneous	18,636	-	374,200	-	-	464,825	857,663
<b>Total Revenues</b>	<b>47,394,846</b>	<b>507,575</b>	<b>374,200</b>	<b>1,379,849</b>	<b>-</b>	<b>4,497,437</b>	<b>54,153,907</b>
<b>Expenditures:</b>							
Current:							
General government	1,756,644	-	-	-	5,966	150,033	1,912,643
Public safety	3,680,880	598,107	-	-	50,750	98,182	4,427,919
Education	26,671,297	-	-	3,931,476	-	2,664,923	32,967,696
Public works	5,464,657	-	-	-	78,127	534,093	6,076,877
Health and human services	375,558	-	-	-	-	62,931	438,489
Culture and recreation	735,134	-	-	-	521	73,213	808,868
Insurance and benefits	4,816,536	-	-	-	-	65,707	4,882,243
Debt service	2,554,929	-	-	-	-	-	2,554,929
Intergovernmental	400,171	-	-	-	-	-	400,171
<b>Total Expenditures</b>	<b>46,456,806</b>	<b>598,107</b>	<b>-</b>	<b>3,931,476</b>	<b>135,364</b>	<b>3,649,082</b>	<b>54,469,835</b>
Excess (deficiency) of revenues over expenditures	938,040	(90,532)	374,200	(2,251,627)	(135,364)	848,355	(315,928)
<b>Other Financing Sources (Uses):</b>							
Bond proceeds	12,435,000	-	-	2,565,000	-	322,841	15,322,841
Bond premiums	1,616,929	-	-	-	-	-	1,616,929
Payment to refunding bond escrow agent	(13,735,119)	-	-	-	-	-	(13,735,119)
Transfers in	613,090	-	-	-	-	-	613,090
Transfers out	(813,317)	-	(100,000)	-	-	(513,090)	(1,426,407)
<b>Total Other Financing Sources (Uses)</b>	<b>116,583</b>	<b>-</b>	<b>(100,000)</b>	<b>2,565,000</b>	<b>-</b>	<b>(190,249)</b>	<b>2,391,334</b>
Change in fund balance	1,055,623	(90,532)	274,200	313,373	(135,364)	658,106	2,075,406
Fund Equity, at Beginning of Year, as restated	3,451,136	183,554	1,019,598	(267,929)	(869,606)	2,483,505	6,000,658
Fund Equity, at End of Year	\$ <u>4,506,759</u>	\$ <u>93,122</u>	\$ <u>1,293,798</u>	\$ <u>45,444</u>	\$ <u>(1,004,970)</u>	\$ <u>3,141,911</u>	\$ <u>8,076,064</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, 2013

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 2,075,406</b>
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</li> </ul>	
Capital outlay purchases	4,179,908
Depreciation	(3,005,274)
<ul style="list-style-type: none"> <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.</li> </ul>	54,818
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</li> </ul>	
Issuance of debt	(2,887,841)
Repayments of debt	1,526,100
Refunding bond paydown	750,000
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	113,573
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences and OPEB, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.</li> </ul>	<u>(3,326,500)</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>(519,810)</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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 33,670,330	\$ 33,670,330	\$ 33,670,330	\$ -
Excises	2,028,824	2,028,824	2,250,003	221,179
Penalties, interest and other taxes	115,000	115,000	111,671	(3,329)
Payments in lieu of taxes	356,000	356,000	356,106	106
Charges for services	410,000	410,000	441,894	31,894
Intergovernmental	4,924,697	4,924,697	5,482,694	557,997
Licenses and permits	378,887	378,887	425,073	46,186
Fines and forfeits	80,000	80,000	81,872	1,872
Investment income	4,500	4,500	5,126	626
Other	-	-	18,638	18,638
Transfers in	701,090	713,090	713,090	-
Debt premiums	-	-	316,810	316,810
Use of free cash	826,650	826,650	826,650	-
Total Revenues and Other Sources	43,495,978	43,507,978	44,699,957	1,191,979
<b>Expenditures and Other Uses:</b>				
General government	1,858,268	1,867,121	1,774,788	92,333
Public safety	3,635,410	3,723,869	3,681,290	42,579
Education	22,464,547	22,464,547	22,347,502	117,045
Public works	5,706,840	5,777,340	5,607,330	170,010
Health and human services	386,902	389,405	375,361	14,044
Culture and recreation	725,857	728,357	713,683	14,674
Debt service	3,093,087	3,093,087	3,092,986	101
Debt issue costs	-	-	275,260	(275,260)
Intergovernmental	395,064	395,064	400,171	(5,107)
Insurance and benefits	5,018,255	4,857,440	4,817,360	40,080
Other	11,748	11,748	11,748	-
Transfers out	200,000	200,000	200,000	-
Total Expenditures and Other Uses	43,495,978	43,507,978	43,297,479	210,499
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,402,478	\$ 1,402,478

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

TOWN OF LYNNFIELD, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activity <u>Golf Course Fund</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 339,198
Total current assets	339,198
Noncurrent:	
Land and construction in progress	12,611,793
Capital assets, net of accumulated depreciation	<u>451,879</u>
Total noncurrent assets	<u>13,063,672</u>
<b>TOTAL ASSETS</b>	13,402,870
<b>LIABILITIES</b>	
Current:	
Accounts payable	12,171
Accrued liabilities	105,253
Current portion of long-term liabilities:	
Bonds payable	<u>534,000</u>
Total current liabilities	651,424
Noncurrent:	
Bonds payable, net of current portion	<u>7,560,000</u>
Total noncurrent liabilities	<u>7,560,000</u>
<b>TOTAL LIABILITIES</b>	8,211,424
<b>NET POSITION</b>	
Net investment in capital assets	4,976,433
Unrestricted	<u>215,013</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,191,446</u>

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

TOWN OF LYNNFIELD, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activity Golf Course Fund
<b>Operating Revenues:</b>	
Fees	\$ 507,443
Total Operating Revenues	507,443
<b>Operating Expenses:</b>	
Salaries and benefits	345,819
Depreciation	31,717
Other	220,463
Total Operating Expenses	597,999
Operating Income	(90,556)
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	699
Capital donations	968,700
Interest expense	(289,201)
Total Nonoperating Revenues (Expenses), Net	680,198
Income (Loss) before transfers	589,642
<b>Transfers:</b>	
Operating transfers in	813,317
Total transfers	813,317
Change in Net Position	1,402,959
Net Position at Beginning of Year	3,788,487
Net Position at End of Year	\$ 5,191,446

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

TOWN OF LYNNFIELD, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activity Golf Course Fund
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 507,443
Payments to vendors and employees	(583,415)
Net Cash Provided By (Used For) Operating Activities	(75,972)
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Transfers from general fund	813,317
Net Cash Provided By (Used For) Noncapital Financing Activities	813,317
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Principal payments on bonds	(519,000)
Interest expense	(289,201)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(808,201)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	699
Net Cash Provided By (Used For) Investing Activities	699
Net Change in Cash and Short-Term Investments	(70,157)
Cash and Short-Term Investments, Beginning of Year	409,355
Cash and Short-Term Investments, End of Year	\$ 339,198
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>	
Operating income (loss)	\$ (90,556)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	31,717
Changes in assets and liabilities:	
Accounts payable	(3,869)
Accrued liabilities	(13,264)
Net Cash Provided By Operating Activities	\$ (75,972)

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

TOWN OF LYNNFIELD, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short term investments	\$ 184,225	\$ 177,840
Investments	4,353	-
Other assets	<u>-</u>	<u>73,254</u>
Total Assets	188,578	251,094
 <b><u>LIABILITIES AND NET POSITION</u></b>		
Warrants payable	-	1,650
Other liabilities	<u>-</u>	<u>249,444</u>
Total Liabilities	<u>-</u>	<u>251,094</u>
 <b><u>NET POSITION</u></b>		
Restricted for endowment	153,523	-
Unrestricted	<u>35,055</u>	<u>-</u>
Total net position held in trust	<u>\$ 188,578</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, 2013

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 25
Increase (decrease) in fair value of investments	<u>(187)</u>
Total additions	(162)
<b>Deductions:</b>	
Scholarship awards	<u>3,475</u>
Total deductions	<u>3,475</u>
Net (decrease)	(3,637)
<b>Net position:</b>	
Beginning of year	<u>192,215</u>
End of year	<u>\$ 188,578</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 Town) 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 2013, it was determined that no entities met the required GASB 39 criteria of component units.

##### B. 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 enterprise funds are reported as separate columns in the fund financial statements.



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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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 *Emergency Medical Services* fund is used to account for revenues and expenditures associated with providing emergency medical services to individuals within the Town of Lynnfield.

- The *Sale of Real Estate* fund is used to account for revenues and expenditures associated with the sale or disposal of Town-owned land and for capital improvements to parks and recreation land.
- The *High School Expansion* fund is used to account for revenues and expenditures associated with a feasibility study, addition of classroom space, and associated costs at the Lynnfield High School.
- The *FY12 Capital Plan* fund is used to account for revenues and expenditures associated with various capital projects approved at the April 2011 annual town meeting.

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 enterprise fund are charges to customers for sales and services. Operating expenses for enterprise 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 private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

#### D. 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.

*E. 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, bonds, and mutual funds. Investments are carried at market value.

*F. 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 2013 tax levy reflected an excess capacity of \$14,245.

*G. 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 estimated fair market value at the date of donation.

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

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

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

#### H. 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.

#### I. 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.

#### J. 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 – In general, fund balance represents the difference between current assets and current liabilities. 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.

The Town's fund balance classifications are as follows:

- 1) *Nonspendable funds* are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., cemetery perpetual care).

- 2) *Restricted funds* are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) *Committed funds* are reported and expended as a result of motions passed by the Town's highest decision making authority (i.e., annual and special Town Meeting).
- 4) *Assigned funds* are used for specific purposes as established by management. These funds, which include general budgetary encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
- 5) *Unassigned funds* are available to be spent 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.

#### K. 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 appropri-



ations 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. 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)	\$ 47,394,846	\$ 46,455,806
Other financing sources/uses (GAAP basis)	<u>14,665,019</u>	<u>14,548,436</u>
Subtotal (GAAP Basis)	62,059,865	61,004,242
Adjust tax revenue to accrual basis	(178,212)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(355,357)
Add end-of-year appropriation carryforwards from expenditures	-	551,647
Record raising of prior year overlay deficits	-	11,748
Record use of free cash	826,650	-
Reverse the effect of non-budgeted State contributions for teachers retirement	(4,379,682)	(4,379,682)
Reverse refunding bond proceeds and payoff	(13,735,119)	(13,735,119)
Reverse the effects of combining general fund and stabilization funds (GASB 54)	100,923	200,000
Other	<u>5,532</u>	<u>-</u>
Budgetary basis	<u>\$ 44,699,957</u>	<u>\$ 43,297,479</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

FY12 Capital Plan	\$ (1,004,970)
Special Revenue:	
MEMA Reimbursement	(74,984)
Hazardous Mitigation Grant	(59,604)
Fire Grant Enhanced 911	(30,956)
Emergency Medical Dispatch Grant	(9,181)
Design Review - Planning	(4,650)
Emergency Management Performance Grant	(3,369)
Assistance to Firefighters	<u>(665)</u>
	<u>\$ (1,188,379)</u>

These deficits will be eliminated through future departmental and intergovernmental revenues and bond proceeds.

### 3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a 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.

*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 the Town's 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, 2013, \$423,150 of the Town's bank balance of \$8,630,618 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
				<u>Aaa</u>	<u>A3</u>	<u>A1</u>	<u>BAA1</u>
Certificates of deposits	\$ 1,581	N/A	\$ 1,581	\$ -	\$ -	\$ -	\$ -
Federal agency securities	174	N/A	-	174	-	-	-
Corporate bonds	314	N/A	-	-	74	189	51
Mutual funds	<u>286</u>	N/A	<u>286</u>	-	-	-	-
Total investments	<u>\$ 2,355</u>		<u>\$ 1,867</u>	<u>\$ 174</u>	<u>\$ 74</u>	<u>\$ 189</u>	<u>\$ 51</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. Investments in any one issuer (other than U.S. Federal Agency securities and certificates of deposit) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>
Corporate Bonds:	
General Electric	\$ 188
Certificates of Deposit:	
Ally Bank Midvale, VT	216
Discover Bank	136
First Bank PR Sancture	125
American Expresss	120
First Bank PR Sancture	<u>120</u>
Total	<u>\$ 905</u>

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Debt Related Securities:			
Certificates of deposit	\$ 1,581	\$ 346	\$ 1,235
Federal agency securities	174	-	174
Corporate bonds	314	-	314
Total	<u>\$ 2,069</u>	<u>\$ 346</u>	<u>\$ 1,723</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, 2013, the Town had no investments that were exposed to foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> 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.

Fourteen days after the due date for the final tax bill for real estate taxes, 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.

Taxes receivable at June 30, 2013 consist of the following:

Real Estate		
2013	\$ 361,017	
Supplemental	<u>2,164</u>	363,181
Personal Property		
2013	1,697	
2012	974	
2011	<u>964</u>	3,635
Tax Liens		122,122
Deferred Taxes		289,153
Taxes in Litigation		<u>9,935</u>
Total		<u>\$ 788,026</u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>
Property taxes	\$ 89,126
Excises	\$ 75,209

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

**8. Departmental and Other Receivables**

This balance represents charges billed for emergency medical services (net of estimated discounts and allowances).

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 88,156	\$ 24	\$ -	\$ 88,180
Machinery, equipment, and furnishings	13,128	218	-	13,346
Infrastructure	8,949	382	-	9,331
Total capital assets, being depreciated	110,233	624	-	110,857
Less accumulated depreciation for:				
Buildings and improvements	(35,052)	(1,840)	-	(36,892)
Machinery, equipment, and furnishings	(9,770)	(934)	-	(10,704)
Infrastructure	(2,704)	(231)	-	(2,935)
Total accumulated depreciation	(47,526)	(3,005)	-	(50,531)
Total capital assets, being depreciated, net	62,707	(2,381)	-	60,326
Capital assets, not being depreciated:				
Land	6,362	-	-	6,362
Construction in progress	578	3,678	(122)	4,134
Total capital assets, not being depreciated	6,940	3,678	(122)	10,496
Governmental activities capital assets, net	<u>\$ 69,647</u>	<u>\$ 1,297</u>	<u>\$ (122)</u>	<u>\$ 70,822</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 482	\$ -	\$ -	\$ 482
Machinery, equipment, and furnishings	131	-	-	131
Total capital assets, being depreciated	613	-	-	613
Less accumulated depreciation for:				
Buildings and improvements	(83)	(12)	-	(95)
Machinery, equipment, and furnishings	(46)	(20)	-	(66)
Total accumulated depreciation	(129)	(32)	-	(161)
Total capital assets, being depreciated, net	484	(32)	-	452
Capital assets, not being depreciated:				
Land	11,643	969	-	12,612
Total capital assets, not being depreciated	11,643	969	-	12,612
Business-type activities capital assets, net	<u>\$ 12,127</u>	<u>\$ 937</u>	<u>\$ -</u>	<u>\$ 13,064</u>

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

Governmental Activities:	
General government	\$ 59
Public safety	291
Education	2,041
Public works	465
Health and human services	108
Culture and recreation	<u>41</u>
Total depreciation expense - governmental activities	\$ <u>3,005</u>
Business-Type Activities:	
Golf course	\$ <u>32</u>
Total depreciation expense - business-type activities	\$ <u>32</u>

**10. Warrants and Accounts Payable**

Warrants payable and accounts payable represent 2013 expenditures paid by July 15, 2013.

**11. Accrued Liabilities**

Accrued liabilities consist of amounts accrued at June 30, 2013 for fiscal 2013 employee payrolls, as well as interest accrued on outstanding bonds.

**12. Notes Payable**

The Town had the following notes outstanding at June 30, 2013:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/13
Bond anticipation notes	1.25%	06/21/13	06/20/14	\$ <u>1,147,037</u>
Total				\$ <u>1,147,037</u>

The following summarizes activity in notes payable during fiscal year 2013:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Septic system loans	\$ 252,841	\$ -	\$ (252,841)	\$ -
Bond anticipation notes	3,447,037	-	(3,447,037)	-
Bond anticipation notes	-	1,147,037	-	1,147,037
Total	<u>\$ 3,699,878</u>	<u>\$ 1,147,037</u>	<u>\$ (3,699,878)</u>	<u>\$ 1,147,037</u>

### 13. Other Current Liabilities

This balance consists primarily of various payroll withholdings.

### 14. 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>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/13</u>
Septic (MWPAT)	08/01/18	0.00%	\$ 60,578
Town building projects	07/01/15	4.43%	1,410,000
Capital articles/squad one	02/15/24	4.01%	455,000
Fire truck	02/15/19	2.26%	336,000
Septic (MWPAT)	07/15/32	0.00%	200,000
Senior center van	06/15/18	1.30%	70,000
School bonds	06/15/33	2.75%	2,565,000
Septic (MWPAT)	01/15/33	0.00%	252,841
Refunded school bonds	07/01/22	1.55%	5,970,000
Refunded senior center bonds	07/01/21	1.42%	792,000
Refunded school bonds	07/01/24	1.79%	<u>5,673,000</u>
Total Governmental Activities:			<u>\$ 17,784,419</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/13
<u>Business-Type Activities:</u>			
Golf course purchase	02/15/25	4.01%	\$ 2,230,000
Golf course purchase	02/15/25	3.29%	<u>5,864,000</u>
Total Business-Type Activities:			<u>\$ 8,094,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,703,600	\$ 518,713	\$ 2,222,313
2015	1,628,611	534,537	2,163,148
2016	1,598,626	482,820	2,081,446
2017	1,573,641	429,067	2,002,708
2018	1,568,656	362,314	1,930,970
2019 - 2023	7,154,115	995,284	8,149,399
2024 - 2028	1,818,395	176,736	1,995,131
2029 - 2033	<u>738,775</u>	<u>58,125</u>	<u>796,900</u>
Total	<u>\$ 17,784,419</u>	<u>\$ 3,557,596</u>	<u>\$ 21,342,015</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 534,000	\$ 280,675	\$ 814,675
2015	554,000	265,953	819,953
2016	579,000	250,194	829,194
2017	604,000	233,766	837,766
2018	629,000	215,573	844,573
2019 - 2023	3,559,000	744,555	4,303,555
2024 - 2025	<u>1,635,000</u>	<u>99,270</u>	<u>1,734,270</u>
Total	<u>\$ 8,094,000</u>	<u>\$ 2,089,986</u>	<u>\$ 10,183,986</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, 2013.



C. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/12	Additions	Reductions	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Governmental Activities</u>						
Bonds payable	\$ 17,173	\$ 2,888	\$ (2,277)	\$ 17,784	\$ (1,704)	\$ 16,080
Other:						
Compensated absences	535	56	(8)	583	(223)	360
OPEB	14,170	5,374	(2,095)	17,449	-	17,449
Totals	<u>\$ 31,878</u>	<u>\$ 8,318</u>	<u>\$ (4,380)</u>	<u>\$ 35,816</u>	<u>\$ (1,927)</u>	<u>\$ 33,889</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 8,613	\$ -	\$ (519)	\$ 8,094	\$ (534)	\$ 7,560
Totals	<u>\$ 8,613</u>	<u>\$ -</u>	<u>\$ (519)</u>	<u>\$ 8,094</u>	<u>\$ (534)</u>	<u>\$ 7,560</u>

D. Current and Advance Refundings

Current Year

On February 28, 2013, the Town issued general obligation refunding bonds in the amount of \$12,435,000 with coupon rates ranging from 2.125% - 4.0% (net interest cost 1.67%). These bonds were issued to current refund \$6,500,000 of term bonds issued March 1, 2003 with coupon rates ranging from 2.0% - 5.0% (net interest cost 3.93%) and advance refund \$6,685,000 of term bonds issued July 1, 2004 with coupon rates ranging from 2.0% - 5.0% (net interest cost 4.40%). The currently refunded term bonds were scheduled to mature March 1, 2014 through 2023 and were called on April 15, 2013. The advance refunded term bonds are scheduled to mature July 1, 2015 through 2024 and are callable on July 1, 2014.

The general obligation refunding bonds were issued at 112.05% with an original issue premium of \$1,499,005 and, after paying issuance costs of \$198,886, the net proceeds were \$13,735,119. The net proceeds from the issuance of the general obligation refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the current refunded bonds were redeemed on April 15, 2013 and the advance refunded bonds are redeemed on July 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the term bonds were removed from the Town's financial statements.



As a result of the current and advance refunding, the Town reduced its total debt service cash flow requirements by \$1,914,377, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,682,312.

Defeased debt still outstanding at June 30, 2013 is \$6,685,000.

#### 15. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>		
	Governmental		General	Emergency	Nonmajor
	<u>Activities</u>		<u>Fund</u>	<u>Medical</u>	<u>Governmental</u>
				<u>Services</u>	<u>Funds</u>
Deferred revenue	\$	264,203	\$ 887,788	\$ 101,537	\$ 959

#### 16. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

#### 17. 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, 2013:

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 (including EMS), 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 and capital projects funded by the general fund.

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, 2013:

	General Fund	Emergency Medical Services	Sale of Real Estate	High School Expansion	FY12 Capital Plan	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>							
Nonexpendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 801,450	\$ 801,450
Total Nonspendable	-	-	-	-	-	801,450	801,450
<b>Restricted</b>							
Emergency medical services	-	93,122	-	-	-	-	93,122
Special revenue funds	-	-	1,293,798	-	-	2,284,179	3,557,977
Capital project funds	-	-	-	45,444	-	103,848	149,292
Expendable trust funds	-	-	-	-	-	112,479	112,479
Expendable permanent funds	-	-	-	-	-	43,364	43,364
Total Restricted	-	93,122	1,293,798	45,444	-	2,523,870	3,956,234
<b>Committed</b>							
Article carryforwards	260,471	-	-	-	-	-	260,471
Total Committed	260,471	-	-	-	-	-	260,471
<b>Assigned</b>							
Encumbrances	291,176	-	-	-	-	-	291,176
Appropriated fund balance	630,000	-	-	-	-	-	630,000
Total Assigned	921,176	-	-	-	-	-	921,176
<b>Unassigned</b>							
General fund	1,752,830	-	-	-	-	-	1,752,830
General stabilization fund	972,642	-	-	-	-	-	972,642
Capital facilities fund	599,640	-	-	-	-	-	599,640
Special revenue fund deficits	-	-	-	-	-	(183,409)	(183,409)
Capital project fund deficits	-	-	-	-	(1,004,970)	-	(1,004,970)
Total Unassigned	3,325,112	-	-	-	(1,004,970)	(183,409)	2,136,733
Total Fund Balance	\$ 4,508,759	\$ 93,122	\$ 1,293,798	\$ 45,444	\$ (1,004,970)	\$ 3,141,911	\$ 8,076,064

## 18. 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 paragraphs summarize the major differences.

Massachusetts General Laws require that the excess of actual property tax abatements and exemptions over the provision for abatements and exemptions (overlay) be funded in the subsequent year.

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

GAAP basis balance	\$ 3,325,112
Stabilization fund	(972,642)
Capital facilities fund	(599,640)
Overlay deficits	2,053
Statutory (UMAS) Balance	\$ 1,754,883

## 19. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims 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.

## 20. Post-Employment Healthcare Benefits

The Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

### A. Plan Description

In addition to providing the pension benefits described in Note 20, the Town provides post-employment medical insurance benefits to eligible retirees. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. All employees retiring from the Town that worked 20 or more hours per week as an active Town employee (23.5 hours for teachers) are eligible to receive benefits. There are no age or service requirements to become eligible for post-employment retirement benefits. As of July 1, 2011, the actuarial valuation date, approximately 314 retirees and 287 active employees meet the eligibility requirements. The plan does not issue a separate financial report. As of June 30, 2013 the Town reported that 229 retirees and 232 active employees meet the eligibility requirements.

### B. Benefits Provided

The Town covers a portion of the premiums for eligible retirees under either individual or family medical coverage. The amount of the retiree's share towards medical coverage depends on the type of coverage the

retiree selects. Effective November 1, 2011, the Town transferred subscribers of health coverage to the Group Insurance Commission (GIC). The coverage under the GIC currently includes four types of medical coverage: HMO, PPO, Indemnity, and Medicare plans. Under each type of medical coverage are numerous medical plans. The Town also offers retirees dental coverage with a plan that is separate from the active participants.

C. Funding Policy

The Town contributes 85% of the medical insurance premiums for eligible retirees under the HMO and Medicare plans, 75% under the PPO plans, and 50% under the Indemnity plans, under either individual or family medical coverage, on a pay-as-you-go basis. Retirees contribute the remainder of their chosen health plan costs. Retirees contribute 100% of life insurance and dental insurance premiums.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years.

The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2011.

Annual Required Contribution (ARC)	\$ 5,626,555
Interest on net OPEB obligation	566,810
Adjustment to ARC	<u>(819,468)</u>
Annual OPEB cost	5,373,897
Contributions made	(1,651,253)
Allocation for implicit rate subsidy	<u>(443,610)</u>
Increase in net OPEB obligation	3,279,034
Net OPEB obligation - beginning of year	<u>14,170,250</u>
Net OPEB obligation - end of year	<u>\$ 17,449,284</u>



The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 4,905,644	35.5%	\$ 10,734,150
2012	\$ 5,435,164	36.8%	\$ 14,170,250
2013	\$ 5,373,897	39.0%	\$ 17,449,284

The Town's net OPEB obligation as of June 30, 2013 is recorded as a noncurrent liability in the Statement of Net Position.

*E. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 52,149,954
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 52,149,954</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 16,200,151</u>
UAAL as a percentage of covered payroll	<u>321.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the employer's annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members

to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the Projected Unit Credit funding method (with service proration) was used. The actuarial value of assets is equal to the market value of the plan's assets. The actuarial assumptions included a 4.0% discount rate and an initial health care cost trend rate of 8.5% per year graded off 0.5% per year to an ultimate rate of 5.0% per year. The UAAL is amortized over a period of thirty years. The thirty year level dollar amortization is presumed to be established on an open amortization basis, where the period of amortization is reset each year to be thirty years.

## **21. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions by State and Local Government Employers*, with respect to its employees' retirement funds.

### **A. Plan Description**

The Town contributes to the Essex Regional Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases. The System issues a publicly available financial report that can be obtained through the Essex Regional Retirement Board at 491 Maple Street, Suite 202, Danvers, Massachusetts 01923.

### **B. Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$1,722,459, \$1,572,093, and \$1,464,304, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2013 was \$9,235,572.

### C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$30,000, as follows:

Before January 1, 1975	5%	
January 1, 1975 - December 31, 1983	7%	*
January 1, 1984 - June 30, 1996	8%	*
July 1, 1996 - June 30, 1996	9%	*
Beginning July 1, 2001	11%	*

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$30,000.

The Town's current year covered payroll for teachers and administrators was \$14,594,425.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$4,379,682 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## **22. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.



**23. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/12 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/12 (as restated)
Sale of Real Estate	\$ -	\$ 1,019,598	\$ 1,019,598
Nonmajor funds	<u>3,503,403</u>	<u>(1,019,598)</u>	<u>2,483,805</u>
Total	<u>\$ 3,503,403</u>	<u>\$ -</u>	<u>\$ 3,503,403</u>

**24. Implementation of New GASB Standard**

The GASB has issued Statement 68 *Accounting and Financial Reporting for Pensions*, which the Town is required to implement in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by requiring the Town to recognize, as a liability and expense, the Town's applicable portion of the Essex County Regional Retirement System's unfunded actuarially accrued liability.

**TOWN OF LYNNFIELD, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2013

(Unaudited)

(Amounts Expressed in thousands)

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll (b-a)/c
07/01/07	\$ -	\$ 48,698	\$ 48,698	0.0%	\$ 13,370	364.2%
07/01/09	\$ -	\$ 46,995	\$ 46,995	0.0%	\$ 16,465	285.4%
07/01/11	\$ -	\$ 52,150	\$ 52,150	0.0%	\$ 16,200	321.9%

**ESSEX COUNTY RETIREMENT SYSTEM  
REQUIRED SUPPLEMENTARY INFORMATION  
(Unaudited)**

**Employees' Retirement System  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll (b-a)/c
01/01/06	\$ 261,327	\$ 376,035	\$ 114,708	69.5%	\$ 98,641	116.3%
01/01/08	\$ 301,421	\$ 445,172	\$ 143,751	67.7%	\$ 111,727	128.7%
01/01/11	\$ 278,332	\$ 536,116	\$ 257,784	51.9%	\$ 119,707	215.3%

**Employees' Retirement System  
Schedule of Employer Contributions**

Plan Year Ended	System Wide				Town of Lynnfield	
	Annual Required Contributions	Annual Required Contributions If paid by 7/1	Actual Contributions	Percent Contributed	Actual Contributions	Town Contributions as a % of Actual Contributions
12/31/10	\$ 19,485	\$ 19,094	\$ 19,035	98%	\$ 1,464	7.69%
12/31/11	\$ 21,084	\$ 20,671	\$ 20,732	98%	\$ 1,572	7.58%
12/31/12	\$ 22,771	\$ 22,324	\$ 22,364	98%	\$ 1,722	7.70%

See Independent Auditors' Report.