

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**



**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen  
Town of Swampscott, 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 Swampscott, Massachusetts, as of and for the year ended June 30, 2016 (except for the Swampscott Contributory Retirement System, which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the Town of Swampscott, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Swampscott, Massachusetts, as of June 30, 2016 (except for the Swampscott Contributory Retirement System, which is as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 11) and general fund budget and actual comparison and certain pension and other postemployment benefits information (located on pages 69 through 77) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the Town of Swampscott, Massachusetts' 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 the Town of Swampscott, Massachusetts' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
March 14, 2017

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

As management of the Town of Swampscott, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2016.

**FINANCIAL HIGHLIGHTS**

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,494,350 (net position). The Town's governmental activities has an unrestricted net deficit of \$55,242,899 and its business-type activities unrestricted net position totaled \$1,039,237.
- The Town's total net position decreased by \$1,863,504.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$17,996,164, an increase of \$3,923,133 in comparison with the prior year. Approximately \$8,784,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$8,978,306, or 15.1%, of total general fund expenditures and transfers out.
- The Town's total debt (excluding unamortized premiums) decreased by \$268,973 during the fiscal year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

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

The **statement of net position** presents information on all of the Town's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise 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, accrued interest on long-term debt, etc.).

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

Both of the government-wide financial statements distinguish functions of the Town 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*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer operations.

The government-wide financial statements can be found on pages 12 through 14 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect 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.

The Town maintains 192 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and capital articles funds, each of which are considered to be major funds. Data from the other 190 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Proprietary Funds**

The Town maintains one type of proprietary fund.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer operations, both of which are considered to be major funds.

The basic proprietary funds financial statements can be found on pages 19 through 21 of this report.

**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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

**Notes to the Basic 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. The notes to the financial statements can be found on pages 24 through 67 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefit information, which can be found on pages 69 through 75.

**Government-Wide Financial Analysis**

The following tables present current and prior year data on the government-wide financial statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$9,494,350 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current Assets	\$ 22,558,609	\$ 19,950,156	\$ 5,095,917	\$ 4,388,720	\$ 27,654,526	\$ 24,338,876
Capital Assets (Net)	70,904,065	71,449,943	18,762,826	18,531,105	89,666,891	89,981,048
Total Assets	<u>93,462,674</u>	<u>91,400,099</u>	<u>23,858,743</u>	<u>22,919,825</u>	<u>117,321,417</u>	<u>114,319,924</u>
<b>Deferred Outflows of Resources</b>	<u>6,469,820</u>	<u>144,614</u>	<u>338,522</u>	<u>256</u>	<u>6,808,342</u>	<u>144,870</u>
<b>Liabilities</b>						
Current Liabilities (excluding debt)	3,437,098	4,247,413	297,751	64,481	3,734,849	4,311,894
Noncurrent Liabilities (excluding debt)	73,973,926	61,388,641	3,015,383	3,071,523	76,989,309	64,460,164
Current Debt	3,462,083	3,368,426	673,361	653,733	4,135,444	4,022,159
Noncurrent Debt	<u>26,472,972</u>	<u>27,176,258</u>	<u>3,199,818</u>	<u>2,769,393</u>	<u>29,672,790</u>	<u>29,945,651</u>
Total Liabilities	<u>107,346,079</u>	<u>96,180,738</u>	<u>7,186,313</u>	<u>6,559,130</u>	<u>114,532,392</u>	<u>102,739,868</u>
<b>Deferred Inflows of Resources</b>	<u>100,297</u>	<u>350,784</u>	<u>2,720</u>	<u>16,288</u>	<u>103,017</u>	<u>367,072</u>
<b>Net Position</b>						
Net Investment in Capital Assets	42,918,711	43,082,537	15,968,995	16,198,374	58,887,706	59,280,911
Restricted	4,671,258	4,213,784	-	-	4,671,258	4,213,784
Unrestricted	<u>(55,103,851)</u>	<u>(52,283,130)</u>	<u>1,039,237</u>	<u>146,289</u>	<u>(54,064,614)</u>	<u>(52,136,841)</u>
Total Net Position	<u>\$ (7,513,882)</u>	<u>\$ (4,986,809)</u>	<u>\$ 17,008,232</u>	<u>\$ 16,344,663</u>	<u>\$ 9,494,350</u>	<u>\$ 11,357,854</u>

The largest portion of the Town's net position (\$58,887,706) reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery and equipment and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its 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 the Town's net position (\$4,671,258) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$54,203,662. Of this amount, \$1,039,237 may be used to support business-type activities and (\$55,242,899) represents an unrestricted net deficit in governmental activities.

At the end of the current fiscal year, the Town reports positive balances in all categories of net position for business-type activities. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of pension and other postemployment benefit liabilities.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Changes in Net Position**

For the fiscal year ended June 30, 2016, the Town's total net position decreased by \$1,863,504, compared to an increase of \$169,125 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 4,784,324	\$ 4,617,300	\$ 5,916,119	\$ 5,130,100	\$ 10,700,443	\$ 9,747,400
Operating Grants and Contributions	10,360,485	8,958,848	5,467	4,346	10,365,952	8,963,194
Capital Grants and Contributions	354,699	562,496	-	-	354,699	562,496
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	46,926,722	45,750,333	-	-	46,926,722	45,750,333
Motor Vehicle and Other Excise Taxes	2,520,154	2,375,441	-	-	2,520,154	2,375,441
Penalties and Interest on Taxes	551,259	352,655	-	-	551,259	352,655
Grants and Contributions not Restricted to Specific Programs	1,198,274	1,155,621	-	-	1,198,274	1,155,621
Unrestricted Investment Income	56,368	40,961	-	-	56,368	40,961
Contributions to Permanent Funds	16,870	15,810	-	-	16,870	15,810
Other	223,513	290,032	-	-	223,513	290,032
Total revenues	<u>66,992,668</u>	<u>64,119,497</u>	<u>5,921,586</u>	<u>5,134,446</u>	<u>72,914,254</u>	<u>69,253,943</u>
<b>Expenses</b>						
General Government	3,961,992	2,821,097	-	-	3,961,992	2,821,097
Public Safety	13,647,024	11,855,126	-	-	13,647,024	11,855,126
Education	46,086,324	42,739,111	-	-	46,086,324	42,739,111
Public Works	2,378,186	2,377,145	-	-	2,378,186	2,377,145
Health and Human Services	1,837,581	1,814,478	-	-	1,837,581	1,814,478
Culture and Recreation	1,520,278	1,456,426	-	-	1,520,278	1,456,426
Debt Service - Interest	814,971	1,044,993	-	-	814,971	1,044,993
Water	-	-	2,728,836	2,933,234	2,728,836	2,933,234
Sewer	-	-	1,802,566	2,043,208	1,802,566	2,043,208
Total Expenses	<u>70,246,356</u>	<u>64,108,376</u>	<u>4,531,402</u>	<u>4,976,442</u>	<u>74,777,758</u>	<u>69,084,818</u>
Change in Net Position Before Transfers	(3,253,688)	11,121	1,390,184	158,004	(1,863,504)	169,125
Transfers, Net	<u>726,615</u>	<u>771,324</u>	<u>(726,615)</u>	<u>(771,324)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(2,527,073)	782,445	663,569	(613,320)	(1,863,504)	169,125
Net Position - Beginning of Year	<u>(4,986,809)</u>	<u>(5,769,254)</u>	<u>16,344,663</u>	<u>16,957,983</u>	<u>11,357,854</u>	<u>11,188,729</u>
Net Position - End of Year	<u>\$ (7,513,882)</u>	<u>\$ (4,986,809)</u>	<u>\$ 17,008,232</u>	<u>\$ 16,344,663</u>	<u>\$ 9,494,350</u>	<u>\$ 11,357,854</u>

Governmental activities decreased the Town's net position by \$2,527,073. In the prior year, governmental activities increased the Town's net position by \$782,445. The key element of this change is an increase in pension expense of approximately \$2,700,000 compared to the prior year.

Business-type activities increased the Town's net position by \$663,569. In the prior year, business-type activities decreased the Town's net position by \$613,320. The key element of this change is an increase in services revenue of approximately \$780,000, and a decrease of \$445,000 in pension expense allocations.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

***Fund Financial Statement Analysis***

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$17,996,164, an increase of \$3,923,133 in comparison with the prior year. Approximately \$8,784,301 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$467,662)
- Restricted (\$5,947,504)
- Committed (\$2,503,662)
- Assigned (\$293,035)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$8,978,306, while total fund balance was \$13,034,580. 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 and transfers out. Unassigned fund balance represents 15.1% of total general fund expenditures and transfers out, while total fund balance represents 21.9% of that same amount.

The balance of the Town's general fund increased by \$3,196,413 during fiscal year 2016. The Town recognized an approximate \$3,917,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$1,275,000 of reserves during the year.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the capital articles fund increased by \$542,412 during the current fiscal year. The fund recognized \$300,000 from contributions, \$54,699 in intergovernmental and other revenue, and incurred \$2,595,409 of expenditures.

***Proprietary Funds***

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

Unrestricted net position of the water and sewer enterprise funds at the end of the year amounted to \$170,220 and \$869,017, respectively. The water and sewer enterprise funds had increases in net position for the year totaling \$396,555 and \$267,014, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**General Fund Budgetary Highlights**

The original general fund budget of \$56,979,950 was increased by \$335,000 (0.6%) during the year. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Technology Expenses	\$ 90,000	Unassigned fund balance
Facilities Coordinator	45,000	Unassigned fund balance
Pension COLA Reimbursement	30,000	Unassigned fund balance
Reserve Fund	150,000	Unassigned fund balance
Regionalization Study	20,000	Unassigned fund balance
Total Increase, Net	<u>\$ 335,000</u>	

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$89,666,891 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment and infrastructure. The total decrease in the investment in capital assets for the current fiscal year totaled \$314,157 or 0.3%.

Major capital asset events that occurred during the current fiscal year include the following:

- Infrastructure (\$906,059)
- Water Main Improvements (\$673,985)
- Clarke School Building Improvements (\$639,717)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
Land	\$ 4,420,080	\$ 4,420,080	\$ 252,182	\$ 252,182	\$ 4,672,262	\$ 4,672,262
Construction in Progress	-	-	1,011,942	-	1,011,942	-
Land Improvements	594,510	659,894	1,350	1,650	595,860	661,544
Buildings	55,138,725	56,409,078	536,331	556,431	55,675,056	56,965,509
Machinery and Equipment	1,557,490	1,426,513	559,336	727,942	2,116,826	2,154,455
Infrastructure	9,193,260	8,534,378	16,401,685	16,992,900	25,594,945	25,527,278
Total Capital Assets	<u>\$ 70,904,065</u>	<u>\$ 71,449,943</u>	<u>\$ 18,762,826</u>	<u>\$ 18,531,105</u>	<u>\$ 89,666,891</u>	<u>\$ 89,981,048</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 43 and 44 of this report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Long-Term Debt**

At the end of the current fiscal year, total debt outstanding was \$33,344,518, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General Obligation Bonds	\$ 29,471,339	\$ 30,190,365	\$ 1,489,990	\$ 559,004	\$ 30,961,329	\$ 30,749,369
MWRA Notes	-	-	2,146,293	2,611,428	2,146,293	2,611,428
MCWT Notes	-	-	236,896	252,694	236,896	252,694
Total Bonds and Notes	<u>\$ 29,471,339</u>	<u>\$ 30,190,365</u>	<u>\$ 3,873,179</u>	<u>\$ 3,423,126</u>	<u>\$ 33,344,518</u>	<u>\$ 33,613,491</u>

The Town's total debt (excluding unamortized premiums) decreased by \$268,973 (0.8%).

The Town's bond rating from Moody's Investor Services for the December 2015 bond issuance was Aa2.

Additional information on the Town's long-term debt can be found in Note 9 on pages 47 through 50 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The fiscal year 2017 Budget for the Town of Swampscott totals \$66.34M, inclusive of debt exclusions for the new police station and the new high school of \$2.66M. Swampscott's total budget as presented in this document is comprised of a General Fund component and the Water and Sewer Enterprise Fund component. The General Fund Budget for fiscal year 2017 totals \$66.34M inclusive of the debt exclusions previously mentioned. This projected level of spending is \$3.2M more than the fiscal year 2016 budget. The Enterprise Fund Budget for fiscal year 2017 totals \$5.95M, a decrease of \$7,757 as compared to the fiscal year 2016 Enterprise Fund Budget. The following is a discussion of several highlights in each component.

The General Fund Budget supports the operations of all Town departments as well as fixed costs such as non-Enterprise Fund Debt Service, Employee Benefits and Insurance, and the Town's contribution to the School Department. The total appropriation required to support Town departments, excluding schools, and shared expenses such as employee benefits and the Town's contribution to the Retirement System, is approximately \$13,367,517 for fiscal year 2017, an increase of \$662,750 from fiscal year 2016. This includes projected salary step increases within existing collective bargaining agreements and an assumption of a 1% cost of living increase for non-contract employees. General Fund Debt Service included in the fiscal year 2017 budget totals \$4.23M. Approximately \$2.6 of this line item represents principal and interest payments outstanding on debt exclusions for the new high school and new police station. Increases in the Town's contribution to the Town's Retirement System and payments to the Non-Contributory Retirees will exceed \$235,000. State Assessments, or charges, are projected to increase by approximately \$101,885 in fiscal year 2017. In addition, a \$1,950,000 appropriation is being made to the Town's stabilization funds and OPEB Trust Fund in fiscal year 2017.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

Funding for Education, which includes the Town's contribution to the School Department and the new Essex North Shore Agricultural and Technical School District, is anticipated to be \$27,974,220 for fiscal year 2017. Included in this line item is a projected increase of \$1,075,000 for the Swampscott School Department. The vocational school appropriation is projected to decrease by \$147,780 at this time.

The Enterprise Fund Budget for fiscal year 2017 totals \$5.96M, representing a 0.6% decrease from fiscal year 2016. Approximately \$3.6M, or 60.5% of total expenditures, will be funded through water user charges and \$2.4M or 39.5%, funded through sewer user charges. Reserves established in these funds resulting from efficiencies implemented during the past several years will continue to be used to help mitigate rate increases due to the increase in requested appropriations.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Administrative Offices, 22 Monument Avenue, Swampscott, Massachusetts 01907.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 13,954,697	\$ 2,387,336	\$ 16,342,033
Restricted Cash and Cash Equivalents	6,876,767	1,079,348	7,956,115
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	524,372	-	524,372
Tax and Utility Liens	846,984	33,269	880,253
Motor Vehicle and Other Excise Taxes	136,521	-	136,521
Water	-	912,983	912,983
Sewer	-	682,981	682,981
Departmental and Other	219,268	-	219,268
Total Current Assets	<u>22,558,609</u>	<u>5,095,917</u>	<u>27,654,526</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	4,420,080	1,264,124	5,684,204
Capital Assets, Net of Accumulated Depreciation	66,483,985	17,498,702	83,982,687
Total Noncurrent Assets	<u>70,904,065</u>	<u>18,762,826</u>	<u>89,666,891</u>
Total Assets	<u>93,462,674</u>	<u>23,858,743</u>	<u>117,321,417</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	6,350,588	338,522	6,689,110
Deferred Loss from Debt Refunding	119,232	-	119,232
Total Deferred Outflows of Resources	<u>6,469,820</u>	<u>338,522</u>	<u>6,808,342</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	892,830	267,983	1,160,813
Accrued Payroll	1,448,304	21,442	1,469,746
Tax Refunds Payable	20,900	-	20,900
Other Liabilities	222,572	-	222,572
Accrued Interest	286,388	7,461	293,849
Capital Lease Obligations	36,605	-	36,605
Workers' Compensation Claims	81,105	-	81,105
Compensated Absences	164,985	865	165,850
Short-Term Notes Payable	283,409	-	283,409
Long-Term Bonds and Notes Payable	3,462,083	673,361	4,135,444
Total Current Liabilities	<u>6,899,181</u>	<u>971,112</u>	<u>7,870,293</u>
Noncurrent Liabilities:			
Capital Lease Obligations	38,490	-	38,490
Workers' Compensation Claims	729,944	-	729,944
Compensated Absences	1,484,869	7,782	1,492,651
Net OPEB Obligation	27,329,797	641,319	27,971,116
Net Pension Liability	44,390,826	2,366,282	46,757,108
Long-Term Bonds and Notes Payable	26,472,972	3,199,818	29,672,790
Total Noncurrent Liabilities	<u>100,446,898</u>	<u>6,215,201</u>	<u>106,662,099</u>
Total Liabilities	<u>107,346,079</u>	<u>7,186,313</u>	<u>114,532,392</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	51,035	2,720	53,755
Taxes Collected in Advance	49,262	-	49,262
Total Deferred Inflow of Resources	<u>100,297</u>	<u>2,720</u>	<u>103,017</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	42,918,711	15,968,995	58,887,706
Restricted for:			
OPEB	1,259,577	-	1,259,577
Permanent Funds:			
Expendable	185,433	-	185,433
Nonexpendable	467,662	-	467,662
Other Specific Purposes	2,758,586	-	2,758,586
Unrestricted	(55,103,851)	1,039,237	(54,064,614)
Total Net Position	<u>\$ (7,513,882)</u>	<u>\$ 17,008,232</u>	<u>\$ 9,494,350</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 3,961,992	\$ 344,732	\$ 195,176	\$ 300,000	\$ (3,122,084)
Public Safety	13,647,024	1,297,239	12,953	-	(12,336,832)
Education	46,086,324	2,683,346	10,030,692	6,788	(33,365,498)
Public Works	2,378,186	89,822	3,571	47,911	(2,236,882)
Health and Human Services	1,837,581	86,384	90,707	-	(1,660,490)
Culture and Recreation	1,520,278	282,801	27,386	-	(1,210,091)
Debt Service-Interest	814,971	-	-	-	(814,971)
Total Governmental Activities	<u>70,246,356</u>	<u>4,784,324</u>	<u>10,360,485</u>	<u>354,699</u>	<u>(54,746,848)</u>
Business-Type Activities:					
Water	2,728,836	3,532,938	2,453	-	806,555
Sewer	1,802,566	2,383,181	3,014	-	583,629
Total Business-Type Activities	<u>4,531,402</u>	<u>5,916,119</u>	<u>5,467</u>	<u>-</u>	<u>1,390,184</u>
Total Primary Government	<u>\$ 74,777,758</u>	<u>\$ 10,700,443</u>	<u>\$ 10,365,952</u>	<u>\$ 354,699</u>	<u>\$ (53,356,664)</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	<u>\$ (54,746,848)</u>	<u>\$ 1,390,184</u>	<u>\$ (53,356,664)</u>
General Revenues:			
Real Estate and Personal Property Taxes	46,926,722	-	46,926,722
Motor Vehicle and Other Excise Taxes	2,520,154	-	2,520,154
Penalties and Interest on Taxes	551,259	-	551,259
Grants and Contributions not Restricted to Specific Programs	1,198,274	-	1,198,274
Unrestricted Investment Income	56,368	-	56,368
Contributions to Permanent Funds	16,870	-	16,870
Other	223,513	-	223,513
Transfers, Net	<u>726,615</u>	<u>(726,615)</u>	<u>-</u>
Total General Revenues and Transfers	<u>52,219,775</u>	<u>(726,615)</u>	<u>51,493,160</u>
<b>CHANGE IN NET POSITION</b>	(2,527,073)	663,569	(1,863,504)
Net Position - Beginning of Year	<u>(4,986,809)</u>	<u>16,344,663</u>	<u>11,357,854</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (7,513,882)</u></u>	<u><u>\$ 17,008,232</u></u>	<u><u>\$ 9,494,350</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2016**

<b>ASSETS</b>	<u>General</u>	<u>Capital Articles</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 13,954,697	\$ -	\$ -	\$ 13,954,697
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	524,372	-	-	524,372
Tax Liens	846,984	-	-	846,984
Motor Vehicle and Other Excise taxes	136,521	-	-	136,521
Departmental and Other	72,745	-	146,523	219,268
Restricted Assets:				
Cash and Cash Equivalents	1,259,577	2,308,205	3,308,985	6,876,767
Total Assets	<u>\$ 16,794,896</u>	<u>\$ 2,308,205</u>	<u>\$ 3,455,508</u>	<u>\$ 22,558,609</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 556,513	\$ 234,975	\$ 101,342	\$ 892,830
Accrued Payroll	1,412,424	-	35,880	1,448,304
Tax Refunds Payable	20,900	-	-	20,900
Other Liabilities	222,572	-	-	222,572
Short-Term Notes Payable	-	283,409	-	283,409
Total Liabilities	<u>2,212,409</u>	<u>518,384</u>	<u>137,222</u>	<u>2,868,015</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	1,498,645	-	146,523	1,645,168
Taxes Collected in Advance	49,262	-	-	49,262
Total Deferred Inflows of Resources	<u>1,547,907</u>	<u>-</u>	<u>146,523</u>	<u>1,694,430</u>
 <b>FUND BALANCES</b>				
Nonspendable	-	-	467,662	467,662
Restricted	1,259,577	1,890,431	2,797,496	5,947,504
Committed	2,503,662	-	-	2,503,662
Assigned	293,035	-	-	293,035
Unassigned	8,978,306	(100,610)	(93,395)	8,784,301
Total Fund Balances	<u>13,034,580</u>	<u>1,789,821</u>	<u>3,171,763</u>	<u>17,996,164</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,794,896</u>	<u>\$ 2,308,205</u>	<u>\$ 3,455,508</u>	<u>\$ 22,558,609</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2016**

	General	Capital Articles	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 46,786,395	\$ -	\$ -	\$ 46,786,395
Motor Vehicle and Other Excise Taxes	2,508,013	-	-	2,508,013
Tax Liens	786,246	-	-	786,246
Charges for Services	-	-	1,422,170	1,422,170
Intergovernmental	8,858,841	6,788	2,193,708	11,059,337
Penalties and Interest on Taxes	551,259	-	-	551,259
Licenses and Permits	729,778	-	-	729,778
Fines and Forfeitures	74,405	-	-	74,405
Departmental and Other	1,870,092	47,911	994,319	2,912,322
Contributions	-	300,000	293,265	593,265
Investment Income	76,818	-	2,222	79,040
Total Revenues	<u>62,241,847</u>	<u>354,699</u>	<u>4,905,684</u>	<u>67,502,230</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,260,341	192,898	272,270	2,725,509
Public Safety	7,483,877	158,601	424,841	8,067,319
Education	26,791,201	865,259	3,839,296	31,495,756
Public Works	1,251,912	1,378,651	32,871	2,663,434
Health and Human Services	1,246,573	-	51,673	1,298,246
Culture and Recreation	745,407	-	239,473	984,880
Pension Benefits	8,620,863	-	-	8,620,863
Employee Benefits	5,757,918	-	-	5,757,918
Property and Liability Insurance	561,363	-	-	561,363
State and County Charges	662,917	-	-	662,917
Debt Service:				
Principal	3,368,426	-	-	3,368,426
Interest	887,529	-	-	887,529
Total Expenditures	<u>59,638,327</u>	<u>2,595,409</u>	<u>4,860,424</u>	<u>67,094,160</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,603,520</u>	<u>(2,240,710)</u>	<u>45,260</u>	<u>408,070</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bonds and Notes	-	2,649,400	-	2,649,400
Premium from Issuance of Bonds and Notes	139,048	-	-	139,048
Transfers In	1,160,000	473,722	-	1,633,722
Transfer Out	(567,107)	(340,000)	-	(907,107)
Total Other Financing Sources (Uses)	<u>731,941</u>	<u>2,783,122</u>	<u>-</u>	<u>3,515,063</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,335,461	542,412	45,260	3,923,133
Fund Balances - Beginning of Year	<u>9,699,119</u>	<u>1,247,409</u>	<u>3,126,503</u>	<u>14,073,031</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 13,034,580</u>	<u>\$ 1,789,821</u>	<u>\$ 3,171,763</u>	<u>\$ 17,996,164</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

Total Governmental Fund Balances (Page 15)	\$ 17,996,164
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	70,904,065
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,645,168
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due	(286,388)
Deferred losses on refunded bonds payable are reported as deferred outflows of resources on the statement of net position	119,232
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and Notes Payable	(29,935,055)
Capital Lease Obligations	(75,095)
Workers' Compensation Claims	(811,049)
Compensated Absences	(1,649,854)
Net OPEB Obligation	(27,329,797)
Net Pension Liability	(44,390,826)
In the statement of net position, deferred outflows of resources and deferred inflows of resources are reported for amounts related to pensions	<u>6,299,553</u>
Net Position of Governmental Activities (Page 12)	<u><u>\$ (7,513,882)</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds (Page 16)	\$ 3,923,133
<p>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. These amounts represent the related activity of the current period.</p>	
Capital Outlays	1,952,763
Depreciation	(2,498,641)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 inflows of resources.</p>	
	(509,562)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(2,649,400)
Premium from Issuance of Bonds	(139,048)
Bond Maturities	3,368,426
Amortization of Bond Premiums	29,651
Amortization of Deferred Losses on Refundings	(21,679)
Capital Lease Maturities	34,811
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	64,588
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Workers' Compensation	16,240
Compensated Absences	70,152
Net OPEB Obligation	(4,846,191)
Net Pension Liability	(7,853,450)
<p>In the statement of activities, deferred outflows and inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>	
	6,531,134
Changes in Net Position of Governmental Activities (Page 14)	\$(2,527,073)

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 651,882	\$ 1,735,454	\$ 2,387,336
Restricted Cash and Cash Equivalents	198,794	880,554	1,079,348
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	912,983	682,981	1,595,964
Utility Liens	19,341	13,928	33,269
Total Current Assets	<u>1,783,000</u>	<u>3,312,917</u>	<u>5,095,917</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	676,527	587,597	1,264,124
Capital Assets, Net of Accumulated Depreciation	5,810,547	11,688,155	17,498,702
Total Noncurrent Assets	<u>6,487,074</u>	<u>12,275,752</u>	<u>18,762,826</u>
Total Assets	<u>8,270,074</u>	<u>15,588,669</u>	<u>23,858,743</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	<u>168,283</u>	<u>170,239</u>	<u>338,522</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	36,640	231,343	267,983
Accrued Payroll	13,414	8,028	21,442
Accrued Interest	2,093	5,368	7,461
Compensated Absences	865	-	865
Long-Term Bonds and Notes Payable	490,591	182,770	673,361
Total Current Liabilities	<u>543,603</u>	<u>427,509</u>	<u>971,112</u>
Noncurrent Liabilities:			
Compensated Absences	7,782	-	7,782
Net OPEB Obligation	343,817	297,502	641,319
Net Pension Liability	1,176,306	1,189,976	2,366,282
Long-Term Bonds and Notes Payable	1,809,185	1,390,633	3,199,818
Total Noncurrent Liabilities	<u>3,337,090</u>	<u>2,878,111</u>	<u>6,215,201</u>
Total Liabilities	<u>3,880,693</u>	<u>3,305,620</u>	<u>7,186,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	<u>1,352</u>	<u>1,368</u>	<u>2,720</u>
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	4,386,092	11,582,903	15,968,995
Unrestricted	170,220	869,017	1,039,237
Total Net Position	<u>\$ 4,556,312</u>	<u>\$ 12,451,920</u>	<u>\$ 17,008,232</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 3,475,648	\$ 2,340,492	\$ 5,816,140
Penalties and Interest	57,290	42,689	99,979
Total Operating Revenues	<u>3,532,938</u>	<u>2,383,181</u>	<u>5,916,119</u>
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	635,372	607,600	1,242,972
MWRA Assessment	1,832,634	-	1,832,634
City of Lynn Assessment	-	655,706	655,706
Depreciation	253,426	526,795	780,221
Total Operating Expenses	<u>2,721,433</u>	<u>1,790,101</u>	<u>4,511,534</u>
<b>OPERATING INCOME</b>	<u>811,505</u>	<u>593,080</u>	<u>1,404,585</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	2,453	3,014	5,467
Interest Expense	(7,403)	(12,465)	(19,868)
Total Nonoperating Revenues (Expenses), Net	<u>(4,950)</u>	<u>(9,451)</u>	<u>(14,401)</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>806,555</u>	<u>583,629</u>	<u>1,390,184</u>
Transfers In	-	93,385	93,385
Transfers Out	(410,000)	(410,000)	(820,000)
Total Transfers, Net	<u>(410,000)</u>	<u>(316,615)</u>	<u>(726,615)</u>
<b>CHANGE IN FUND NET POSITION</b>	396,555	267,014	663,569
Fund Net Position - Beginning of Year	<u>4,159,757</u>	<u>12,184,906</u>	<u>16,344,663</u>
<b>FUND NET POSITION - END OF YEAR</b>	<u>\$ 4,556,312</u>	<u>\$ 12,451,920</u>	<u>\$ 17,008,232</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 3,460,190	\$ 2,395,058	\$ 5,855,248
Payments to Vendors	(2,254,650)	(839,726)	(3,094,376)
Payments to Employees	(390,580)	(421,325)	(811,905)
Net Cash Provided by Operating Activities	<u>814,960</u>	<u>1,134,007</u>	<u>1,948,967</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	-	93,385	93,385
Transfers Out	(410,000)	(410,000)	(820,000)
Net Cash Used by Noncapital Financing Activities	<u>(410,000)</u>	<u>(316,615)</u>	<u>(726,615)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	-	2,019,980	2,019,980
Premium from the Issuance of Bonds and Notes	-	55,133	55,133
Acquisition and Construction of Capital Assets	(673,990)	(337,952)	(1,011,942)
Principal Payments on Bonds and Notes	(545,874)	(1,077,348)	(1,623,222)
Interest Paid	(7,421)	(14,022)	(21,443)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,227,285)</u>	<u>645,791</u>	<u>(581,494)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	<u>2,453</u>	<u>3,014</u>	<u>5,467</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(819,872)	1,466,197	646,325
Cash and Cash Equivalents - Beginning of Year (Includes \$919,591 and \$168,021 Reported as Restricted in the Water Enterprise Fund and Sewer Enterprise Fund, Respectively)	<u>1,670,548</u>	<u>1,149,811</u>	<u>2,820,359</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (Includes \$198,794 and \$880,554 Reported as Restricted in the Water Enterprise Fund and Sewer Enterprise Fund, Respectively)	<u>\$ 850,676</u>	<u>\$ 2,616,008</u>	<u>\$ 3,466,684</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income	\$ 811,505	\$ 593,080	\$ 1,404,585
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation	253,426	526,795	780,221
Net OPEB Obligation	62,534	40,529	103,063
Net Pension Liability	(270,992)	(243,971)	(514,963)
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(3,890)	(1,385)	(5,275)
Water Receivables	(68,858)	-	(68,858)
Sewer Receivables	-	13,261	13,261
Warrants Payable	22,753	205,955	228,708
Accrued Payroll	4,117	(258)	3,859
Compensated Absences	4,365	-	4,365
Total Adjustments	<u>3,455</u>	<u>540,927</u>	<u>544,382</u>
Net Cash Provided by Operating Activities	<u>\$ 814,960</u>	<u>\$ 1,134,007</u>	<u>\$ 1,948,967</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

<b>ASSETS</b>	Pension Trust Fund (as of December 31, 2015)	Private Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and Cash Equivalents	\$ 631,401	\$ 295,533	\$ 203,470
Investments			
External Investment Pool (PRIT)	34,785,359	-	-
Equity Securities	1,696,086	-	-
Equity Mutual Funds	389,069	-	-
Collective Investment Trust Fund	7,232,560	-	-
Real Estate	511,740	-	-
Private Equity	361,101	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	1,397	-	-
Total Assets	<u>45,608,713</u>	<u>295,533</u>	<u>203,470</u>
 <b>LIABILITIES</b>			
Warrants Payable	15,036	-	-
Liabilities Due Depositors	-	-	203,470
Total Liabilities	<u>15,036</u>	<u>-</u>	<u>\$ 203,470</u>
 <b>NET POSITION</b>			
Restricted for Pension Benefits and Other Purposes	<u>\$ 45,593,677</u>	<u>\$ 295,533</u>	

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2016**

	Pension Trust Fund (Year Ended December 31, 2015)	Private Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 4,711,121	\$ -
Plan Members	1,192,683	-
Private Donations	-	33,497
Total Contributions	<u>5,903,804</u>	<u>33,497</u>
Net Investment Income:		
Net Depreciation in Fair Value of Investments	(506,173)	-
Interest	1,166,544	290
Total Investment Income	<u>660,371</u>	<u>290</u>
Less: Investment Expense	<u>(251,300)</u>	<u>-</u>
Net Investment Income	<u>409,071</u>	<u>290</u>
 Total Additions	 <u>6,312,875</u>	 <u>33,787</u>
<b>DEDUCTIONS</b>		
Administration	141,568	-
Retirement Benefits and Refunds	5,043,935	-
Scholarhsips Awarded	-	31,351
Total Deductions	<u>5,185,503</u>	<u>31,351</u>
 <b>CHANGE IN NET POSITION</b>	 1,127,372	 2,436
Net Position - Beginning of Year	<u>44,466,305</u>	<u>293,097</u>
 <b>NET POSITION - END OF YEAR</b>	 <u>\$ 45,593,677</u>	 <u>\$ 295,533</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**B. Reporting Entity**

The Town of Swampscott, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

**Fiduciary Fund**

The Town has included the Swampscott Contributory Retirement System (System) as a fiduciary fund in the reporting entity because of the significance of its operational and financial relationship with the Town. Fiduciary funds are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

The System was established to provide retirement benefits to Town employees, the Swampscott Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

**Joint Venture**

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

**Joint Venture (Continued)**

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

*North Shore Technical School*

The North Shore Technical School is governed by a sixteen member school district committee consisting of one elected representative of the Town. The Town is indirectly liable for the North Shore Technical School debt and expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2016, the Town's assessment totaled approximately \$493,000. Separate financial statement may be obtained in writing to the Treasurer of the North Shore Technical School at 30 Log Bridge Road, Middleton, Massachusetts, 01949.

**C. Implementation of New Accounting Principles**

For the year ending June 30, 2016, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

The implementation of GASB Statement No. 72 required certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques related to the Town's investments.

The implementation of GASB Statement No.'s 73, 76 and 79 had no reporting impact for the Town.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**E. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment
- Grants and other contributions that are restricted to meeting the capital requirements of a specific function or segment

Taxes and other items not identifiable as program revenues are reported as general revenues. Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Fund Financial Statements**

**Governmental funds** financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *capital articles fund* is a capital projects fund used to accumulate financial resources for various bonded construction projects.

The nonmajor governmental funds consist of other special revenue, capital projects, debt service and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*Capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

*Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**Proprietary funds** financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

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

The following proprietary funds are reported:

The *water* enterprise fund is used to account for the Town's water activities.

The *sewer* enterprise fund is used to account for the Town's sewer activities.

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

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

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 benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a strictly custodial capacity. Such assets consist primarily of student activity funds. Agency funds do not present the results of operations or have a measurement focus.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Deposits and Investments**

**Government-Wide and Fund Financial Statements**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value, net asset value (NAV), or amortized cost, as further discussed in Note 3.

**G. Accounts Receivable**

**Government-Wide and Fund Financial Statements**

The recognition of revenue related to accounts receivable reported in the government-wide, proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

***Real Estate Taxes, Personal Property Taxes and Tax Liens***

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 August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed during the fourth quarter of every year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

***Motor Vehicle Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

***User Charges (Water and Sewer)***

User fees are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually in December and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the commitment.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

***Intergovernmental***

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

***Departmental and Other***

Departmental and Other receivables primarily represent amounts due for parking tickets and police detail and are recorded as receivables in the fiscal year accrued.

**H. Allowance for Uncollectible Amounts**

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

As of June 30, 2016, the allowance related to departmental and other receivables are immaterial and therefore are not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)

Intergovernmental receivables are considered 100% collectible.

**I. Inventories**

**Government-Wide and Fund Financial Statements**

Inventories are recorded as expenditures at the time of purchase. Such inventories consist primarily of supplies and are not material in total to the respective financial statements and therefore are not reported.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Restricted Assets**

**Government-Wide and Fund Financial Statements**

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**K. Capital Assets**

**Government-Wide and Proprietary Funds Financial Statements**

Capital assets, which consist of land, land improvements, buildings and improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary funds financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All individual purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements	20 - 30
Buildings and improvements	7 - 50
Machinery and equipment	3 - 20
Infrastructure	20 - 60

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. All improvements are capitalized.

**Governmental Fund Financial Statements**

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Interfund Receivables and Payables**

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

**Government-Wide Financial Statements**

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

**Fund Financial Statements**

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

**M. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between funds.

**Government-Wide Financial Statements**

Transfers between governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

**Fund Financial Statements**

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

**N. Deferred Outflows of Resources**

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

The Town has two items that qualify for reporting in this category:

Deferred outflows of resources related to deferred losses from debt refunding transactions is reported in the government-wide statement of net position.

Deferred outflows of resources related to pensions is reported in the government-wide and proprietary funds statements of net position.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Deferred Inflows of Resources**

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

The Town has three items that qualify for reporting in this category:

Deferred inflow of resources related to unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflow of resources related to taxes collected in advance is reported in both the government-wide statement of net position and governmental funds balance sheet. Taxes collected in advance represent amounts collected related to the fiscal year 2017 tax levy.

Deferred inflows of resources related to pensions is reported in the government-wide and proprietary funds statements of net position.

**P. Net Position and Fund Balances**

**Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)**

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

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position has been “restricted” for the following:

“OPEB” – represents amounts accumulated for other postemployment benefits.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

**Governmental Funds Financial Statements (Fund Balances)**

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**Q. Long-Term Debt**

**Government-Wide and Proprietary Fund Financial Statements**

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Long-Term Debt (Continued)**

**Governmental Fund Financial Statements**

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

**R. Investment Income**

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL). Investment income from permanent funds is retained in the funds.

Investment income derived from the proprietary and fiduciary funds is retained in the funds.

**S. Compensated Absences**

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

**Government-Wide and Proprietary Fund Financial Statements**

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

**Governmental Fund Financial Statements**

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

**T. Pensions**

**Government-Wide and Proprietary Fund Financial Statements**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, NAV, or amortized costs, as further discussed in Note 3.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Post Retirement Benefits**

**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits and as more fully described in Note 11, the Town provides health and life insurance coverage for current and future retirees and their spouses.

**V. Use of Estimates**

**Government-Wide and Fund Financial Statements**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

**W. Total Column**

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases or transfers between departments subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service and other certain amounts, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2016 approved budget for the general fund authorized \$56,979,950 in appropriations. During fiscal year 2016, supplemental appropriations totaling \$335,000 were authorized.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2016, expenditures exceeded appropriations for state and county charges by approximately \$82,000.

**C. Fund Deficits**

At June 30, 2016, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Capital Articles (Major Fund)	\$ 100,610	Issuance of Long-Term Debt/Available Funds
Improving Teacher Quality	40,563	Grant Proceeds
Other Funds	52,832	Grant Proceeds/Available Funds
Total Deficits	<u>\$ 194,005</u>	

**NOTE 3 DEPOSITS AND INVESTMENTS**

***Town (excluding the Pension Trust Fund)***

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts, and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

The MMDT is an external investment pool that meets the criteria established under GASB 79 to report its investments at amortized cost. As such, the City reports its investments in MMDT at amortized cost which approximates the net asset value of \$1.00 per share.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

***Town (excluding the Pension Trust Fund) (Continued)***

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent, private purpose trust and pension trust funds are held separately from other Town funds.

**Deposits – Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2016, \$11,706,316 of the Town's bank balance of \$23,208,744 was uninsured and uncollateralized. The carrying value of the Town's deposits totaled \$22,593,480 at June 30, 2016.

**Investments Summary**

The Town's investment at June 30, 2016, consisted of \$2,203,671 in MMDT and is reported as cash and cash equivalents.

**Investments – Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

**Investments – Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2016, the Town's investment in MMDT was not exposed to custodial credit risk.

**Investments – Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. The Town's investment in MMDT was unrated by a national credit rating organization.

**Investments – Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2016, the Town was not exposed to concentration of credit risk.

**Investments – Fair Value Measurements**

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

***Town (excluding the Pension Trust Fund) (Continued)***

**Investments – Fair Value Measurements (Continued)**

The Town's only investment at June 30, 2016 consisted of \$2,203,671 in MMDT which is measured at amortized cost.

***Pension Trust Fund (The System)***

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. PRIT is administered by the Pension Reserves Investment Management Board. The reported value of the pool is the same as the fair value of the System's position in pool shares.

**Deposits – Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2015, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$375,155 at December 31, 2015.

**Investments Summary**

The System's investments at December 31, 2015 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Total Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<b><u>Debt Securities:</u></b>		
Money Market Mutual Funds	\$ 256,246	\$ 256,246
External Investment Pool (PRIT)	34,785,359	34,785,359
Total Debt Securities	<u>35,041,605</u>	<u>\$ 35,041,605</u>
<b><u>Other Investments:</u></b>		
Equity Securities	1,696,086	
Equity Mutual Funds	389,069	
Real Estate	511,740	
Collective Investment Trust Fund	7,232,560	
Private Equity	<u>361,101</u>	
Total Other Investments	<u>10,190,556</u>	
Total Investments	<u>\$ 45,232,161</u>	

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments – Interest Rate Risk of Debt Securities**

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

**Investments – Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2015, the System's investments were not exposed to custodial credit risk.

**Investments – Credit Risk of Debt Securities**

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2015, the System's debt securities were unrated.

**Investments – Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2015, the System's exposure to concentration of credit risk was as follows:

Issuer	Total Amount	Percentage of Total Investments
SEI Trust Company - Collective Investment Trust	\$ 7,232,560	16.0%

**Investments – Fair Value Measurements**

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments – Fair Value Measurements (Continued)**

The System has the following recurring fair value measurements as of December 31, 2015:

Investment Type	Total Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Securities	\$ 1,696,086	\$ 1,696,086	\$ -	\$ -
Equity Mutual Funds	389,069	389,069	-	-
Money Market Mutual Funds	256,246	256,246	-	-
Total Investments by Fair Value Level	2,341,401	<u>\$ 2,341,401</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments Measured at the NAV:</b>				
External Investment Pool (PRIT)	34,785,359			
Collective Investment Trust Fund	7,232,560			
Real Estate	511,740			
Private Equity	361,101			
Total Investments Measured at the NAV	42,890,760			
Total Investments	<u>\$ 45,232,161</u>			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share or its equivalent) is presented in the following table:

	Total Amount	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool (PRIT) (1)	\$ 34,785,359	-	Monthly	24 Hours
Collective Investment Trust Fund (2)	7,232,560	-	Daily	Daily
Real Estate (3)	511,740	-	N/A	N/A
Private Equity (4)	361,101	-	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 42,890,760</u>			

- (1) External Investment Pool (PRIT): The system is a participating retirement system in the PRIT fund. The system owns units, or shares in the PRIT fund, which is a pooled investment trust. The values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership in the pool.
- (2) Collective Investment Trust Fund: This type includes a fund with an investment object to seek capital appreciation by investing a substantial portion of the fund's assets in equity securities of companies that demonstrate promising growth potential. The value of the investment in this type has been determined using the NAV per share (or its equivalent) of the System's ownership interest in the net assets of the fund.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments – Fair Value Measurements (Continued)**

- (3) Real Estate: This type includes an investment in a partnership that invests primarily in U.S. commercial real estate. The value of the investment in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 3 years.
- (4) Private Equity: This type includes two funds with an investment in a partnership with an investment objective to private equity funds, primarily comprised of venture capital funds and domestic leverage buyout funds. The value of the investment in this type has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investment can never be redeemed with the funds. Distributions from the funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 3 years.

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2016, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real Estate and Personal Property Taxes	\$ 548,667	\$ (24,295)	\$ 524,372
Tax Liens	846,984	-	846,984
Motor Vehicle and Other Excise Taxes	258,425	(121,904)	136,521
Departmental and Other	220,665	-	220,665
	<u>\$ 1,874,741</u>	<u>\$ (146,199)</u>	<u>\$ 1,728,542</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

At June 30, 2016, receivables for the water and sewer enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water	\$ 912,983	-	\$ 912,983
Sewer	682,981	-	682,981
Liens	33,269	-	33,269
	<u>\$ 1,629,233</u>	<u>\$ -</u>	<u>\$ 1,629,233</u>

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 4,420,080	\$ -	\$ -	\$ 4,420,080
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	1,764,908	-	-	1,764,908
Buildings and Improvements	78,673,383	639,717	-	79,313,100
Machinery and Equipment	4,995,080	407,978	-	5,403,058
Infrastructure	10,202,786	905,068	(159,351)	10,948,503
Total Capital Assets Being Depreciated	<u>95,636,157</u>	<u>1,952,763</u>	<u>(159,351)</u>	<u>97,429,569</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(1,105,014)	(65,385)	-	(1,170,399)
Buildings and Improvements	(22,264,306)	(1,910,069)	-	(24,174,375)
Machinery and Equipment	(3,568,566)	(277,001)	-	(3,845,567)
Infrastructure	(1,668,408)	(246,186)	159,351	(1,755,243)
Total Accumulated Depreciation	<u>(28,606,294)</u>	<u>(2,498,641)</u>	<u>159,351</u>	<u>(30,945,584)</u>
Total Capital Assets Being Depreciated, Net	<u>67,029,863</u>	<u>(545,878)</u>	<u>-</u>	<u>66,483,985</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 71,449,943</u>	<u>\$ (545,878)</u>	<u>\$ -</u>	<u>\$ 70,904,065</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 252,182	\$ -	\$ -	\$ 252,182
Construction in Progress	-	1,011,942	-	1,011,942
Total Capital Assets Not Being Depreciated	<u>252,182</u>	<u>1,011,942</u>	<u>-</u>	<u>1,264,124</u>
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	6,000	-	-	6,000
Buildings and Improvements	2,785,115	-	-	2,785,115
Machinery and Equipment	1,989,450	-	-	1,989,450
Infrastructure	29,877,163	-	-	29,877,163
Total Capital Assets Being Depreciated	<u>34,657,728</u>	<u>-</u>	<u>-</u>	<u>34,657,728</u>
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(4,350)	(300)	-	(4,650)
Buildings and Improvements	(2,228,684)	(20,100)	-	(2,248,784)
Machinery and Equipment	(1,261,508)	(168,606)	-	(1,430,114)
Infrastructure	(12,884,263)	(591,215)	-	(13,475,478)
Total Accumulated Depreciation	<u>(16,378,805)</u>	<u>(780,221)</u>	<u>-</u>	<u>(17,159,026)</u>
Total Capital Assets Being Depreciated, Net	<u>18,278,923</u>	<u>(780,221)</u>	<u>-</u>	<u>17,498,702</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 18,531,105</u>	<u>\$ 231,721</u>	<u>\$ -</u>	<u>\$ 18,762,826</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 122,125
Public Safety	324,171
Education	1,602,153
Public Works	377,196
Health and Human Services	1,863
Culture and Recreation	71,133
Total Depreciation Expense - Governmental Activities	<u>\$ 2,498,641</u>
<b>Business-Type Activities:</b>	
Water	\$ 253,426
Sewer	526,795
Total Depreciation Expense - Business-Type Activities	<u>\$ 780,221</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2016 are summarized as follows:

Transfers Out:	Transfers In:			Total	
	General Fund	Capital Articles Fund	Sewer Enterprise Fund		
General Fund	\$ -	\$ 473,722	\$ 93,385	\$ 567,107	(1)
Capital Articles Fund	340,000	-	-	340,000	(2)
Water Enterprise Fund	410,000	-	-	410,000	(3)
Sewer Enterprise Fund	410,000	-	-	410,000	(3)
	<u>\$ 1,160,000</u>	<u>\$ 473,722</u>	<u>\$ 93,385</u>	<u>\$ 1,727,107</u>	

(1) Represents budgeted transfer for the subsidy of debt service principal and interest for the sewer fund (\$93,385), and budgeted transfers to capital articles fund (\$473,222).

(2) Represents transfer to the general fund for claims and judgements.

(3) Represents budgeted transfers for indirect costs.

**NOTE 7 SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 SHORT-TERM FINANCING (CONTINUED)**

Details related to the short-term debt activity for the fiscal year ended June 30, 2016 is as follows:

**Notes Payable – Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
BAN	Roadway Reconstruction	6/24/15	6/24/16	0.50%	\$ 175,000	\$ -	\$ (175,000)	\$ -
BAN	Master Plan Project	6/24/15	6/24/16	0.50%	125,000	-	(125,000)	-
BAN	School Physical Security Upgrades	6/24/15	6/24/16	0.50%	110,000	-	(110,000)	-
BAN	DPW Fleet Replacement Program	6/24/15	6/24/16	0.50%	82,000	-	(82,000)	-
BAN	Middle School Asbestos Removal	6/24/15	6/24/16	0.50%	75,000	-	(75,000)	-
BAN	Power Backup for Network	6/24/15	6/24/16	0.50%	50,000	-	(50,000)	-
BAN	Open Space Improvement	6/24/15	6/24/16	0.50%	50,000	-	(50,000)	-
BAN	Purchase of Rescue Boat	6/24/15	6/24/16	0.50%	48,301	-	(48,301)	-
BAN	School Technology Upgrades	6/24/15	6/24/16	0.50%	44,000	-	(44,000)	-
BAN	DPW Wood Chipper	6/24/15	6/24/16	0.50%	40,000	-	(40,000)	-
BAN	High School Fire Sprinkler Upgrades	6/24/15	6/24/16	0.50%	40,000	-	(40,000)	-
BAN	Clark Lift	6/24/15	6/24/16	0.50%	40,000	-	(40,000)	-
BAN	Purchase of Police Ballistic Vests	6/24/15	6/24/16	0.50%	30,600	-	(30,600)	-
BAN	Police Radio Upgrades	6/24/15	6/24/16	0.50%	24,400	-	(24,400)	-
BAN	Purchase of Police License Plate Reader	6/24/15	6/24/16	0.50%	20,945	-	(20,945)	-
BAN	Police Department Technology Upgrade	6/24/16	6/24/17	0.75%	-	24,563	-	24,563
BAN	Police Department Radio Upgrade	6/24/16	6/24/17	0.75%	-	25,000	-	25,000
BAN	Open Space Improvement	6/24/16	6/24/17	0.75%	-	50,000	-	50,000
BAN	Purchase of Rescue Boat	6/24/16	6/24/17	0.75%	-	48,301	-	48,301
BAN	School Technology Upgrades	6/24/16	6/24/17	0.75%	-	44,000	-	44,000
BAN	DPW Wood Chipper	6/24/16	6/24/17	0.75%	-	40,000	-	40,000
BAN	Purchase of Police Ballistic Vests	6/24/16	6/24/17	0.75%	-	30,600	-	30,600
BAN	Purchase of Police License Plate Reader	6/24/16	6/24/17	0.75%	-	20,945	-	20,945
	Total				<u>\$ 955,246</u>	<u>\$ 283,409</u>	<u>\$ (955,246)</u>	<u>\$ 283,409</u>

**Notes Payable – Sewer Enterprise Fund**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
BAN	Sewer System	1/26/16	6/24/16	0.70%	\$ -	\$ 969,490	\$ (969,490)	\$ -

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 LONG-TERM OBLIGATIONS**

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Bonds and Notes Payable	\$ 30,190,365	\$ 2,649,400	\$ (3,368,426)	\$ 29,471,339	\$ 3,427,797
Unamortized Bond Premiums	354,319	139,048	(29,651)	463,716	34,286
Total Bonds and Notes Payable	<u>30,544,684</u>	<u>2,788,448</u>	<u>(3,398,077)</u>	<u>29,935,055</u>	<u>3,462,083</u>
Workers' Compensation Claims	827,289	-	(16,240)	811,049	81,105
Capital Lease Obligations	109,906	-	(34,811)	75,095	36,605
Net Pension Liability	36,537,376	12,542,842	(4,689,392)	44,390,826	-
Net OPEB Obligation	22,483,606	6,965,023	(2,118,832)	27,329,797	-
Compensated Absences	1,720,006	-	(70,152)	1,649,854	164,985
Total	<u>\$ 92,222,867</u>	<u>\$ 22,296,313</u>	<u>\$ (10,327,504)</u>	<u>\$ 104,191,676</u>	<u>\$ 3,744,778</u>
<b>Business-type Activities:</b>					
Bonds and Notes Payable	\$ 3,423,126	\$ 1,050,490	\$ (653,732)	\$ 3,819,884	\$ 669,685
Unamortized Bond Premiums	-	55,133	(1,838)	53,295	3,676
Total Bonds and Notes Payable	<u>3,423,126</u>	<u>1,105,623</u>	<u>(655,570)</u>	<u>3,873,179</u>	<u>673,361</u>
Net OPEB Obligation	538,256	148,123	(45,060)	641,319	-
Net Pension Liability	2,529,411	154,311	(317,440)	2,366,282	-
Compensated Absences	4,285	4,362	-	8,647	865
Total	<u>\$ 6,495,078</u>	<u>\$ 1,412,419</u>	<u>\$ (1,018,070)</u>	<u>\$ 6,889,427</u>	<u>\$ 674,226</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2016 and the debt service requirements are as follows:

**Bonds and Notes Payable – Governmental Funds**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose Loan of 2008	08/15/19	3.0 - 4.5%	\$ 455,000	\$ -	\$ (120,000)	\$ 335,000
School Construction	11/01/29	2.00%	5,285,511	-	(352,367)	4,933,144
Municipal Purpose Loan of 2010	09/15/22	2.5 - 3.0%	1,190,000	-	(265,000)	925,000
Municipal Purpose Loan of 2013	08/15/32	2.0 - 2.5%	3,337,440	-	(467,180)	2,870,260
General Obligation Refunding Bonds	04/15/25	2.0 - 3.0%	2,790,000	-	(295,000)	2,495,000
Police Station	09/15/28	2.0 - 4.25%	2,275,000	-	(175,000)	2,100,000
Municipal Purpose Loan of 2014	01/15/24	2.0 - 4.0%	1,603,858	-	(218,858)	1,385,000
General Obligation Refunding Bonds 2015 (A)	01/15/35	2.5%-4.0%	7,213,556	-	(750,021)	6,463,535
General Obligation Refunding Bonds 2015 (B)	05/15/26	3%-3.5	5,915,000	-	(600,000)	5,315,000
Municipal Purpose Loan of 2016	06/16/31	2%-4%	-	2,649,400	-	2,649,400
Total Governmental Funds			<u>\$ 30,190,365</u>	<u>\$ 2,649,400</u>	<u>\$ (3,368,426)</u>	<u>\$ 29,471,339</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 3,427,797	\$ 864,919	\$ 4,292,715
2018	2,481,762	763,216	3,244,978
2019	2,210,762	702,192	2,912,954
2020	2,030,762	641,432	2,672,194
2021	2,009,512	581,266	2,590,778
2022	1,929,630	518,080	2,447,710
2023	1,939,630	459,774	2,399,404
2024	1,765,950	407,249	2,173,199
2025	1,532,201	361,061	1,893,262
2026	1,292,201	323,793	1,615,994
2027	1,302,700	290,467	1,593,167
2028	1,317,700	255,247	1,572,947
2029	1,162,700	186,115	1,348,815
2030	1,182,700	156,411	1,339,111
2031	850,332	125,214	975,546
2032	775,000	99,520	874,520
2033	795,000	75,080	870,080
2034	720,000	50,376	770,376
2035	745,000	26,078	771,078
Total	<u>\$ 29,471,339</u>	<u>\$ 6,887,489</u>	<u>\$ 36,358,828</u>

**Bonds and Notes Payable – Water Enterprise**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Water (MWRA)	08/15/16	0.0%	\$ 112,054	\$ -	\$ (56,027)	\$ 56,027
Water (MWRA)	08/15/17	0.0%	168,081	-	(56,027)	112,054
Municipal Purpose Loan of 2008	08/15/18	3.0 - 4.5%	120,000	-	(30,000)	90,000
Water (MWRA)	08/15/19	0.0%	60,275	-	(12,055)	48,220
Water (MWRA)	08/15/20	0.0%	599,991	-	(99,999)	499,992
Water (MWRA)	08/15/21	0.0%	175,000	-	(25,000)	150,000
Municipal Purpose Loan of 2013	08/15/17	2.0 - 2.5%	58,500	-	(23,250)	35,250
Water (MWRA)	05/15/24	0.00%	1,440,000	-	(160,000)	1,280,000
General Obligation Refunding Bonds of 2015	01/15/17	4.00%	55,722	-	(27,489)	28,233
Total Water Enterprise Fund			<u>\$ 2,845,650</u>	<u>\$ -</u>	<u>\$ (545,874)</u>	<u>\$ 2,299,776</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

Debt service requirements for principal and interest for water enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 490,591	\$ 4,603	\$ 495,194
2018	395,081	1,918	396,999
2019	327,054	560	327,614
2020	297,054	-	297,054
2021	284,996	-	284,996
2022	185,000	-	185,000
2023	160,000	-	160,000
2024	160,000	-	160,000
Total	<u>\$ 2,299,776</u>	<u>\$ 7,081</u>	<u>\$ 2,306,857</u>

**Bonds and Notes Payable – Sewer Enterprise Fund**

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Municipal Purpose Loan of 2008	08/15/18	3.0 - 4.5%	\$ 120,000	\$ -	\$ (30,000)	\$ 90,000
Sewer 07-22 (MCWT)	07/15/28	2.00%	252,694	-	(15,798)	236,896
Municipal Purpose Loan of 2013	08/15/22	2.0 - 2.5%	149,060	-	(34,570)	114,490
General Obligation Refunding Bonds of 2015	01/15/17	4.00%	55,722	-	(27,490)	28,232
General Obligation Bond of 2016	06/23/31	2.0 -4.0%	-	1,050,490	-	1,050,490
Total Sewer Enterprise Fund			<u>\$ 577,476</u>	<u>\$ 1,050,490</u>	<u>\$ (107,858)</u>	<u>\$ 1,520,108</u>

Debt service requirements for principal and interest for sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 179,094	\$ 38,158	\$ 217,252
2018	140,047	34,142	174,189
2019	128,380	30,820	159,200
2020	98,719	28,288	127,007
2021	100,314	24,904	125,218
2022	100,549	21,466	122,015
2023	100,909	18,021	118,930
2024	89,956	14,685	104,641
2025	89,080	11,455	100,535
2026	89,463	9,669	99,132
2027	89,353	7,875	97,228
2028	89,751	6,085	95,836
2029	90,157	4,285	94,442
2030	69,668	2,686	72,354
2031	64,668	1,294	65,962
Total	<u>\$ 1,520,108</u>	<u>\$ 253,833</u>	<u>\$ 1,773,941</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a non-interest bearing loan (payable in five or ten equal annual installments). At June 30, 2016, the outstanding principal amount of these loans totaled \$2,146,293.

During fiscal year 2016, the Town issued \$3,699,890 of general obligation bonds for sewer projects, construction, and infrastructure.

Subsequent Events:

On August 15, 2016, the Town issued a Financial Assistance Program loan from MWRA for \$1,000,000. The loan is non-interest bearing and is payable in ten equal annual installments.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2016, the Town had the following authorized and unissued debt:

Purpose	Amount
MWRA Water Main Replacement	\$ 1,000,000
Construction of Turf Field	850,000
Paving Non Chapter 90	425,000
LED Street Light Project	370,000
Public Building Repairs	110,000
Salt Storage Facility Replacement	100,000
School Security System	70,000
Open Space Improvements	50,000
Lift Station	50,000
Cemetary Backhoe and Truck	48,000
EOC Center Repairs	41,000
Technology - Wifi Project	40,000
Rescue Equipment	36,607
Street Lighting- Railbridge	34,000
Police Radio Upgrade	33,600
Speed Board	22,700
Technology School Wifi	20,000
Total	<u><u>\$ 3,300,907</u></u>

**NOTE 10 CAPITAL LEASES**

The Town has entered into a capital lease agreement for a fire truck under which the fire truck will become property of the Town when all terms of the lease agreement are met. The agreement also contains early purchase options which would allow the Town to purchase the fire truck before the end of the lease term.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10 CAPITAL LEASES (CONTINUED)**

The following schedule represents the future minimum lease payments as of June 30, 2016:

Fiscal Years Ending June 30	Governmental Activities
2017	\$ 40,472
2018	40,472
Total Minimum Lease Payments	80,944
Less: Amounts Representing Interest	(5,849)
Present Value of Minimum Lease Payments	\$ 75,095

The fire truck and the related accumulated amortization under capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Machinery and Equipment	\$ 300,000
Less: Accumulated Amortization	(167,959)
Total	\$ 132,041

Expenses/expenditures are reported as Public Safety in the financial statements.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2014, the latest actuarial valuation, is as follows:

Active employees	294
Retirees, beneficiaries and dependents	456
Total	750

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Funding Policy** - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town (including Medicare Part B) are 40% and 60%, respectively. Also, Plan members and the Town contribute 40% and 60%, respectively, towards a \$2,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

The Town has established an OPEB Trust pursuant to the adoption of MGL Chapter 32B, Section 20. The adoption of this law did not establish an OPEB Trust in accordance with GASB requirements and as such the funds accumulated are reported as restricted in the General Fund. The OPEB Trust fund balance at June 30, 2016, totaled \$1,259,577.

**Annual OPEB Cost and Net OPEB Obligation** - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table identifies the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town net OPEB obligation:

	Amount
Annual Required Contribution	\$ 7,074,747
Interest on Net OPEB Obligation	806,369
Adjustment to Annual Required Contribution	(767,970)
Annual OPEB Cost	7,113,146
Contributions Made	(2,163,892)
Increase in Net OPEB Obligation	4,949,254
Net OPEB Obligation at Beginning of Year	23,021,862
Net OPEB Obligation at End of Year	\$ 27,971,116

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2014	4,130,272	36.3%	18,262,777
June 30, 2015	6,804,231	30.1%	23,021,862
June 30, 2016	7,113,146	31.8%	27,971,116

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress** – The funded status of the Plan at July 1, 2014, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ -	\$ 97,874,411	\$97,874,411	0.00%	\$ 26,614,036	367.8%

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

**Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 employer 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.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2014
Actuarial cost method:	Projected Unit Credit
Amortization method:	Increasing dollar amortization at 3.50%
Remaining amortization period:	30 years
Interest discount rate:	3.50%
Healthcare/Medical cost trend rate:	8.00% decreasing by 0.50% for eight years to an ultimate level of 5.00%
Consumer Price Index (CPI):	3.00% annually

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Allocation of AOPEBC** – AOPEBC costs were allocated to the Town’s functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 289,885
Public Safety	1,556,094
Education	4,800,205
Public Works	110,276
Health and Human Services	66,199
Culture and Recreation	142,364
Total AOPEBC - Governmental Activities	6,965,023
 <b>Business-Type Activities:</b>	
Water	89,873
Sewer	58,250
Total AOPEBC - Business-Type Activities	148,123
Total AOPEBC	\$ 7,113,146

**NOTE 12 PENSION PLAN – SCRS**

**General Information about the Pension Plan**

*Plan Description.* The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Swampscott Contributory Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at January 1, 2015 which was the membership reported in actuarial valuation rolled forward to the December 31, 2015 measurement date:

Active Members	250
Inactive Members	162
Retirees and Beneficiaries currently receiving benefits	202
Total	614

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System also issues a publicly available report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 22 Monument Avenue, Swampscott, Massachusetts 01907.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

*Benefits Provided.* Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

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

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

*Contributions.* Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. 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 annual covered payroll.

For the year ended December 31, 2015, active member contributions totaled \$1,192,683 and employer contributions totaled \$4,711,121. Contributions to the System from the Town were \$4,655,413 for the year ended June 30, 2016.

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

The components of the net pension liability of the System at December 31, 2015, were as follows:

Total Pension Liability	\$	92,883,483
Plan Fiduciary Net Position		(45,593,677)
Net Pension Liability	<u>\$</u>	<u>47,289,806</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		49.09%

At June 30, 2016, the Town reported a liability of \$46,757,108 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the Town's proportion was 98.8735%, which decreased by 0.1765% (99.0500%) from its proportion measured as of December 31, 2014.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

For the year ended June 30, 2016, the Town recognized pension expense of \$5,465,404. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 2,324,600	\$ -
Changes in Assumptions	2,873,340	-
Differences between expected and actual experience	1,488,201	-
Changes in Proportion	2,969	53,755
	<u>\$ 6,689,110</u>	<u>\$ 53,755</u>

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

<u>Year Ended June 30</u>	
2017	\$ 1,654,607
2018	1,654,607
2019	1,654,607
2020	1,671,534
Total	<u>\$ 6,635,355</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

*Actuarial assumptions.* The following actuarial methods and assumptions apply to all periods included in the measurement.

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	3.75% Ultimate rate, plus the following steps and longevity, based on years of service. Ranges from 1.25% to 4.25% over 5 years of service for Group 1 and 2 employees, from 4.25% to 9.25% over 5 years of service for Police employees; and from 3.25% to 5.25% over 5 years of service for Fire employees
Investment Rate of Return	8.00%
Interest Rate Credited to Annuity Savings Fund	2.00%
Cost of Living Adjustment	3.0% of first \$13,000 Annually
Mortality	RP-2000 table projected with Generational Mortality, Scale BB. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2000 table projected with Generational Mortality, Scale BB, ages set forward 2 years.
Retirement Rates	General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70  Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2014.

*Investment Policy and Rates of Return.* Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the “Prudent Person” rule, which permits (among other things) the investment in equities, private equity, and real estate investments.

Approximately 77% of the System’s investments are in the Pension Reserve Investment Trust (PRIT), which was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

The System’s annual money-weighted rate of return on pension plan investments was 0.40%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is a long-term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages are based on information provided by the Swampscott Retirement System and NEPC. The portion of the portfolio which is not in PRIT is allocated in the same percentage as PRIT’s subsectors when we are unclear of the actual breakdown. The real rates of return below are based on 30-year return estimates provided by NEPC, adjusted using 3.00% inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	51.3%	4.87%
Core Fixed Income	10.4%	0.70%
Value-Added Fixed Income	7.5%	3.75%
Private Equity	7.5%	6.31%
Real Estate	8.6%	3.40%
Timberland	3.0%	3.95%
Hedge Funds	6.8%	3.40%
Cash/Portfolio Completion	4.9%	3.09%
Totals	<u>100.0%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 PENSION PLAN – SCRS (CONTINUED)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the System calculated using the discount rate of 8.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
System's Net Pension Liability	\$ 56,029,703	\$ 47,289,806	\$ 40,462,348

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Town's Proportionate Share of the Net Pension Liability	\$ 55,398,554	\$ 46,757,108	\$ 40,006,558

*Legally Required Reserve Accounts.* The balance in the System's legally required reserves as of December 31, 2015 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 13,675,817	Active members' contribution balance
Annuity Reserve Fund	2,717,197	Retired members' contribution account
Pension Reserve Fund	27,131,558	Amounts appropriated to fund future retirement
Pension Fund	2,069,105	Remaining Net Position
Total	\$ 45,593,677	

All reserve accounts are funded at levels required by state law.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in this financial report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*Plan description.* Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

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

*Contributions.* The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town/City/District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2016. The Commonwealth's net pension liability associated with the Town was \$51,372,339.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

The MTRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

For the year ended June 30, 2016, the Town recognized pension expense of \$4,166,754 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

*Actuarial assumptions.* The MTRS' total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

Investment Rate of Return	7.5%
Salary Increases	Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service
Mortality Rates	Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)  Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)  Disability – assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years
Other	3.5% interest rate credited to the annuity savings fund  3.0% cost of living increase per year

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	6.9%
Core Fixed Income	13%	2.4%
Private Equity	10%	8.5%
Real Estate	10%	6.5%
Value Added Fixed Income	10%	5.8%
Hedge Funds	9%	5.8%
Portfolio Completion Strategies	4%	5.5%
Timber/Natural Resources	4%	6.6%
Totals	<u>100%</u>	

*Discount rate.* The discount rate used to measure the MTRS' total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position.* Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 14 FUND BALANCES**

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Capital Articles</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Permanent Fund Principal	\$ -	\$ -	\$ 467,662	\$ 467,662
<b>Restricted:</b>				
Capital	-	1,890,431	-	1,890,431
Municipal Television Access	-	-	142,880	142,880
Sale of Land	-	-	124,840	124,840
Circuit Breaker	-	-	557,034	557,034
Discretionary Donations	-	-	247,329	247,329
Harbor Dredging	-	-	104,695	104,695
Sale of Cemetery Lots	-	-	211,817	211,817
Recreation Revolving	-	-	234,215	234,215
School Lunch	-	-	4,704	4,704
General Government	-	-	336,975	336,975
Public Safety	-	-	66,304	66,304
Education	-	-	445,108	445,108
Public Works	-	-	198,221	198,221
Health and Human Services	-	-	38,474	38,474
Culture and Recreation	-	-	84,900	84,900
Other Post Employment Benefits	1,259,577	-	-	1,259,577
Sub-total - Restricted	<u>1,259,577</u>	<u>1,890,431</u>	<u>2,797,496</u>	<u>5,947,504</u>
<b>Committed:</b>				
Subsequent Year's Expenditures	2,100,000	-	-	2,100,000
Capital	403,662	-	-	403,662
Sub-total - Committed	<u>2,503,662</u>	<u>-</u>	<u>-</u>	<u>2,503,662</u>
<b>Assigned:</b>				
Encumbrances	<u>293,035</u>	<u>-</u>	<u>-</u>	<u>293,035</u>
<b>Unassigned</b>	<u>8,978,306</u>	<u>(100,610)</u>	<u>(93,395)</u>	<u>8,784,301</u>
Total Fund Balances	<u>\$ 13,034,580</u>	<u>\$ 1,789,821</u>	<u>\$ 3,171,763</u>	<u>\$ 17,996,164</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 15 STABILIZATION FUNDS**

The Town maintains general and capital stabilization funds that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of Town meeting. Investment income is retained by the funds.

The balances of the general and capital stabilization funds at June 30, 2016 total \$2,066,031 and \$403,662, respectively, and are reported in the general fund as unassigned and committed fund balances, respectively.

**NOTE 16 RISK FINANCING**

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. The Town participates in the Commonwealth's Grouping Insurance Commission (GIC), which offers a variety of premium based health insurance plans for the Town's employees and retirees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town participates in a premium-based workers' compensation plan. In prior years, the Town was self-insured for workers' compensation and is liable for the payment of certain claims from those periods. The claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2016, totaled \$811,049.

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal Year 2015	\$ 1,468,246	\$ (233,335)	\$ (407,622)	\$ 827,289
Fiscal Year 2016	827,289	377,075	(393,315)	811,049

**NOTE 17 COMMITMENTS**

In September of 2015 the Town entered into a Consent Decree agreeing to pay a \$65,000 civil penalty and to take critical remedial measures to address pollution the Town discharged from its storm sewer system, which violated the Clean Water Act and the terms and conditions of its National Pollutant Discharge Elimination System (NPDES) permit. The Consent Decree requires, among other things, the Town to (1) identify and eliminate unauthorized discharges of non-stormwater to waters of the United States in accordance with timeframes established by the decree and (2) design and implement infrastructure improvements necessary to prevent non-stormwater from entering the system. Failure to comply with the Consent Decree and its established timeframes could potentially result in more penalties.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 17 COMMITMENTS (CONTINUED)**

The Town has entered into, or is planning to enter into, contracts totaling approximately \$3,300,000 for improvements to the water system, school, public safety and public works projects.

During September 2016, the Town entered into a five-year contract for trash disposal and recycling services that expires September 30, 2021 with a total contract cost of approximately \$3,900,000. The base contract costs for fiscal year 2017 is approximately \$534,000.

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$293,035 at June 30, 2016.

**NOTE 18 CONTINGENCIES**

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2016.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through June 30, 2016, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)**

- Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68, and No. 73*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management is evaluating the Statement's future impact on the basic financial statements.
- Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2016**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 46,302,121	\$ 335,000	\$ 46,637,121
Motor Vehicle and Other Excise Taxes	-	2,138,500	-	2,138,500
Tax Liens	-	-	-	-
Intergovernmental	-	4,545,837	-	4,545,837
Penalties and Interest on Taxes	-	200,000	-	200,000
Licenses and Permits	-	200,000	-	200,000
Fines and Forfeitures	-	50,000	-	50,000
Departmental and Other	-	1,924,770	-	1,924,770
Investment Income	-	25,000	-	25,000
Total Revenues	<u>-</u>	<u>55,386,228</u>	<u>335,000</u>	<u>55,721,228</u>
<b>EXPENDITURES</b>				
Current:				
General Government	96,874	2,322,484	313,728	2,733,086
Public Safety	38,450	7,367,134	73,191	7,478,775
Education	118,618	26,756,000	-	26,874,618
Public Works	199,358	1,179,810	(10,669)	1,368,499
Health and Human Services	89	1,351,170	20,750	1,372,009
Culture and Recreation	-	781,669	3,000	784,669
Pension Benefits	-	4,454,312	-	4,454,312
Employee Benefits	47,981	6,055,000	(25,000)	6,077,981
Property and Liability Insurance	-	650,000	(40,000)	610,000
State and County Charges	-	580,432	-	580,432
Debt Service:				
Principal	-	3,483,217	-	3,483,217
Interest	-	925,000	-	925,000
Total Expenditures	<u>501,370</u>	<u>55,906,228</u>	<u>335,000</u>	<u>56,742,598</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(501,370)</u>	<u>(520,000)</u>	<u>-</u>	<u>(1,021,370)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	820,000	-	820,000
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(1,073,722)	-	(1,073,722)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(253,722)</u>	<u>-</u>	<u>(253,722)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(501,370)</u>	<u>(773,722)</u>	<u>-</u>	<u>(1,275,092)</u>
Fund Balance - Beginning of Year	<u>7,673,061</u>	<u>7,673,061</u>	<u>7,673,061</u>	<u>7,673,061</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,171,691</u>	<u>\$ 6,899,339</u>	<u>\$ 7,673,061</u>	<u>\$ 6,397,969</u>

See Accompanying Notes to Required Supplementary Information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 46,547,422	\$ -	\$ 46,547,422	\$ (89,699)
2,508,013	-	2,508,013	369,513
786,246	-	786,246	786,246
4,692,087	-	4,692,087	146,250
551,259	-	551,259	351,259
729,778	-	729,778	529,778
74,405	-	74,405	24,405
1,870,093	-	1,870,093	(54,677)
56,368	-	56,368	31,368
<u>57,815,671</u>	<u>-</u>	<u>57,815,671</u>	<u>2,094,443</u>
2,251,003	28,972	2,279,975	453,111
7,386,501	66,605	7,453,106	25,669
26,761,666	106,146	26,867,812	6,806
1,246,642	80,034	1,326,676	41,823
1,245,812	277	1,246,089	125,920
736,589	-	736,589	48,080
4,454,109	-	4,454,109	203
5,757,918	11,000	5,768,918	309,063
561,363	-	561,363	48,637
662,917	-	662,917	(82,485)
3,403,236	-	3,403,236	79,981
893,191	-	893,191	31,809
<u>55,360,947</u>	<u>293,034</u>	<u>55,653,981</u>	<u>1,088,617</u>
<u>2,454,724</u>	<u>(293,034)</u>	<u>2,161,690</u>	<u>3,183,060</u>
820,000	-	820,000	-
194,181	-	194,181	194,181
<u>(1,167,107)</u>	<u>-</u>	<u>(1,167,107)</u>	<u>(93,385)</u>
<u>(152,926)</u>	<u>-</u>	<u>(152,926)</u>	<u>100,796</u>
2,301,798	(293,034)	2,008,764	3,283,856
<u>7,673,061</u>	<u>-</u>	<u>7,673,061</u>	<u>-</u>
<u>\$ 9,974,859</u>	<u>\$ (293,034)</u>	<u>\$ 9,681,825</u>	<u>\$ 3,283,856</u>

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULES OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS  
SWAMPSCOTT CONTRIBUTORY RETIREMENT SYSTEM (1)**

	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>		
Service Cost	\$ 1,630,367	\$ 1,486,863
Interest	6,641,295	6,409,281
Difference between expected and actual experience	1,961,264	-
Change in assumptions	3,786,705	-
Benefit Payments, including refunds of member contributions, net of transfers (to)/from other systems and intergovernmental reimbursements	<u>(5,043,935)</u>	<u>(5,235,027)</u>
Net Change in Total Pension Liability	8,975,696	2,661,117
 Total Pension Liability - Beginning	 <u>83,907,787</u>	 <u>81,246,670</u>
 Total Pension Liability - Ending (a)	 <u><u>\$ 92,883,483</u></u>	 <u><u>\$ 83,907,787</u></u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	\$ 4,711,121	\$ 4,543,164
Contributions - Member	1,192,683	1,461,902
Net Investment Income	409,071	3,565,866
Benefit Payments, including refunds of member contributions, net of transfers (to)/from other systems and intergovernmental reimbursements	<u>(5,043,935)</u>	<u>(5,235,027)</u>
Administrative Expense	<u>(141,568)</u>	<u>(178,827)</u>
Net Change in Plan Fiduciary Net Position	1,127,372	4,157,078
 Plan Fiduciary Net Position - Beginning	 <u>44,466,305</u>	 <u>40,309,227</u>
 Plan Fiduciary Net Position - Ending (b)	 <u><u>\$ 45,593,677</u></u>	 <u><u>\$ 44,466,305</u></u>
 Net Pension Liability - Ending (a) - (b)	 <u><u>\$ 47,289,806</u></u>	 <u><u>\$ 39,441,482</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 49.09%	 52.99%
 Covered - Employee Payroll	 \$ 12,837,003	 \$ 11,965,292
 Net Pension Liability as a Percentage of Covered Employee Payroll	 368.4%	 329.6%

(1) Data is being accumulated annually to present 10 years of the reported information

See Accompanying Notes to Required Supplementary Information.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SWAMPSCOTT CONTRIBUTORY RETIREMENT SYSTEM**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 4,711,121	\$ 4,543,164	\$ 4,381,537	\$ 3,955,463	\$ 3,739,031
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Employee Payroll	\$ 12,837,003	\$ 11,965,292	\$ 11,089,580	\$ 11,089,580	\$ 10,858,678
Contributions as a Percentage of Covered Employee Payroll	36.70%	37.97%	39.51%	35.67%	34.43%
					(Continued)
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 3,508,981	\$ 3,360,532	\$ 2,997,268	\$ 2,880,573	\$ 2,647,272
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Employee Payroll	\$ 10,654,167	\$ 10,747,973	\$ 10,747,973	\$ 9,924,644	\$ 9,924,644
Contributions as a Percentage of Covered Employee Payroll	32.94%	31.27%	27.89%	29.02%	26.67%
					(Concluded)

**SCHEDULE OF INVESTMENT RETURNS  
SWAMPSCOTT CONTRIBUTORY RETIREMENT SYSTEM (1)**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	0.40%	8.75%

(1) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SWAMPSCOTT CONTRIBUTORY RETIREMENT SYSTEM (1)(2)**

	2016	2015
Town's Proportion of the Net Pension Liability	98.8735%	99.0500%
Town's Proportionate Share of the Net Pension Liability	\$ 46,757,108	\$ 39,066,787
Town's Covered-Employee Payroll	\$ 12,677,254	\$ 11,861,620
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	368.83%	329.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.09%	52.99%

(1) Amounts presented were determined as of December 31

(2) Data is being accumulated annually to present 10 years of the reported information

**SCHEDULE OF TOWN CONTRIBUTIONS  
SWAMPSCOTT CONTRIBUTORY RETIREMENT SYSTEM**

	2016	2015	2014	2013	2012
Actuarially Required Contribution	\$ 4,655,413	\$ 4,496,769	\$ 4,335,836	\$ 3,995,894	\$ 3,779,980
Contributions in Relation to the Actuarially Required Contribution	4,655,413	4,496,769	4,335,836	3,995,894	3,779,980
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 12,677,254	\$ 11,861,620	\$ 11,186,504	\$ 11,186,504	\$ 10,953,584
Contributions as a Percentage of Covered Employee Payroll	36.72%	37.91%	38.76%	35.72%	34.51%

(Continued)

	2011	2010	2009	2008	2007
Actuarially Required Contribution	\$ 3,548,971	\$ 3,403,534	\$ 3,028,416	\$ 2,905,395	\$ 2,669,120
Contributions in Relation to the Actuarially Required Contribution	3,548,971	3,403,534	3,028,416	2,905,395	2,669,120
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered-Employee Payroll	\$ 10,747,286	\$ 10,841,912	\$ 10,841,912	\$ 10,011,387	\$ 10,011,387
Contributions as a Percentage of Covered Employee Payroll	33.02%	31.39%	27.93%	29.02%	26.66%

(Concluded)

See Accompanying Notes to Required Supplementary Information.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY  
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

	2016	2015
Town's Share of Net Pension Liability	\$ 51,372,339	\$ 42,970,408
Commonwealth's Share of the Town's Net Pension Liability	51,372,339	42,970,408
	\$ -	\$ -
Town's Expense and Revenue Recognized for the Commonwealth's Support	\$ 4,166,754	\$ 2,985,360
Plan Fiduciary Net Position as a Percentage of Total Net Pension Liability	55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2016**

**OTHER POST EMPLOYMENT BENEFITS SCHEDULES**

**SCHEDULES OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/14	\$ -	\$ 97,874,411	\$ 97,874,411	0.00%	\$ 26,614,036	367.8%
07/01/12	-	55,970,796	55,970,796	0.00%	24,654,366	227.0%
07/01/10	-	71,040,152	71,040,152	0.00%	29,074,608	244.3%

The significant changes to the methods and assumptions used in the July 1, 2014 actuarial valuation identified above that impact the trends in the schedules of funding progress are as follows:

- Actuarial Standards of Practice (ASOPs) now require the payment of future benefits be determined using the current schedule of premiums under the plans provided by the Town, modified to reflect the fact that actual healthcare expenses are higher as individuals age. In the previous valuation, the GIC plans were considered to be “community rated” and therefore did not adjust the schedule of premiums as described above.
- Retiree contribution rates for certain health plans decreased from 30% to 29.5%
- The pre-retirement rates decrements were updated to reflect those recently used by the Swampscott Retirement System and the Massachusetts Teachers Retirement Systems actuaries.
- The post-retirement mortality rates were updated to utilize a more recent mortality table adjusted for mortality improvement.
- The excise tax under the Patient Protection and Affordable Care Act (PPACA) was updated to reflect the tax on benefits in excess of the mandated thresholds started in 2020 (previously, 2018).

**TOWN OF SWAMPSCOTT, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**

**NOTE A BUDGETARY – GAAP RECONCILIATION**

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2016 is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 57,815,671	\$ 55,653,981	\$ (152,926)	\$ 9,681,825
<u>Reclassifications and Adjustments:</u>				
Capital Stabilization Fund Recorded in the General Fund for GAAP Purposes	1,995	-	100,000	403,662
Stabilization Fund Recorded in the General Fund for GAAP Purposes	11,844	-	250,000	2,066,031
OPEB Fund Recorded in the General Fund for GAAP Purposes	6,612	-	250,000	1,259,577
Net Change in Recording 60-day Receipts	(43,346)	-	-	81,977
To Record MTRS On-Behalf Payments	4,166,754	4,166,754	-	-
Net Change in Recording Tax Refunds Payable	166,818	-	-	(20,900)
Net Change in Recording Other Revenues	115,499	-	-	(4)
Net Change in Recording Other Expenditures		110,626	145,819	(869,670)
To Record Encumbrances and Continuing Appropriations		(293,034)		293,034
Total on GAAP Basis of Accounting	62,241,847	59,638,327	592,893	12,895,532
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 62,241,847</u>	<u>\$ 59,638,327</u>	<u>\$ 592,893</u>	<u>\$ 12,895,532</u>

**NOTE B CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the system's total pension liability, changes in the system's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

*Changes in Assumptions*

The mortality assumption for healthy and disabled participants was changed from the RP-2000 Mortality Table projected 18 years with Scale AA to the RP-2000 Mortality Table projected generationally with Scale BB for males and females.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2016**

**NOTE C SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The following methods and assumptions were used to determine the most recent actuarially determined pension plan contribution rates:

Methods:

Actuarial Cost Method	Entry Age Normal Cost
Asset Valuation Method	Fair Value

Assumptions:

Salary Increases	3.75% Ultimate rate, plus the following steps and longevity, based on years of service. Ranges from 1.25% to 4.25% over 5 years of service for Group 1 and 2 employees, from 4.25% to 9.25% over 5 years of service for Police employees; and from 3.25% to 5.25% over 5 years of service for Fire employees
Investment Rate of Return	8.00%
Interest Rate Credited to Annuity Savings Fund	2.00%
Cost of Living Adjustment	3.0% of first \$13,000 Annually
Mortality	RP-2000 table projected with Generational Mortality, Scale BB. For members retired under an Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2000 table projected with Generational Mortality, Scale BB, ages set forward 2 years.
Retirement Rates	General Employees (Group 1 and 2) - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 100% for both males and females ending at age 70  Police and Fire (Group 4) - 2.0% beginning at age 50 ranging to 100.0% at age 65