

TOWN OF SWAMPSCOTT, MASSACHUSETTS

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

JUNE 30, 2019



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**TOWN OF SWAMPSCOTT, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES	13
GOVERNMENTAL FUNDS – BALANCE SHEET	15
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	16
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
PROPRIETARY FUNDS – STATEMENT OF FUND NET POSITION	19
PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION	20
PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS	21
FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION	22
FIDUCIARY FUNDS – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	23
NOTES TO BASIC FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	73
PENSION PLAN SCHEDULES	75
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES	79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	80



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, 2019 (except for the Swampscott Contributory Retirement System, which is as of and for the year ended December 31, 2018), 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Swampscott, Massachusetts, as of June 30, 2019 (except for the Swampscott Contributory Retirement System, which is as of and for the year ended December 31, 2018), 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 73 through 79) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Swampscott, Massachusetts' 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
February 7, 2020

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

- The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$79,204,123 (net position). The Town's governmental activities has an unrestricted net deficit of \$142,070,799 and its business-type activities unrestricted net deficit totaled \$159,777.
- The Town's total net position decreased by \$800,746.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$15,286,533, a decrease of \$2,268,178 in comparison with the prior year. Approximately \$9,225,000 represents unassigned fund balance.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$10,163,059, or 15.0%, of total general fund expenditures and transfers out.
- The Town's total debt (excluding unamortized premiums) decreased by \$1,278,948, or 3.9%, 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, net pension liability, etc.).

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 206 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 204 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
JUNE 30, 2019**

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 pension and OPEB trust funds, 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 "pension and OPEB trust funds", "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 71 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 73 through 79.

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
JUNE 30, 2019**

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$79,204,123 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current Assets	\$ 22,343,279	\$ 22,137,483	\$ 8,183,749	\$ 6,288,228	\$ 30,527,028	\$ 28,425,711
Capital Assets (Net)	69,875,485	69,836,962	20,738,643	19,688,540	90,614,128	89,525,502
Total Assets	92,218,764	91,974,445	28,922,392	25,976,768	121,141,156	117,951,213
Deferred Outflows of Resources	10,043,534	7,753,267	409,504	342,634	10,453,038	8,095,901
Liabilities						
Current Liabilities (excluding debt)	6,673,458	6,011,429	2,928,460	209,241	9,601,918	6,220,670
Noncurrent Liabilities (excluding debt)	142,918,674	149,566,861	4,374,962	4,811,361	147,293,636	154,378,222
Current Debt	2,363,213	2,536,683	721,506	667,586	3,084,719	3,204,269
Noncurrent Debt	22,886,712	25,256,455	5,371,473	4,996,560	28,258,185	30,253,015
Total Liabilities	174,842,057	183,371,428	13,396,401	10,684,748	188,238,458	194,056,176
Deferred Inflows of Resources	21,971,802	5,474,107	588,057	311,236	22,559,859	5,785,343
Net Position						
Net Investment in Capital Assets	44,389,371	43,546,214	15,507,215	15,534,062	59,896,586	59,080,276
Restricted	3,129,867	3,468,524	-	-	3,129,867	3,468,524
Unrestricted	(142,070,799)	(136,132,561)	(159,777)	(210,644)	(142,230,576)	(136,343,205)
Total Net Position	<u>\$ (94,551,561)</u>	<u>\$ (89,117,823)</u>	<u>\$ 15,347,438</u>	<u>\$ 15,323,418</u>	<u>\$ (79,204,123)</u>	<u>\$ (73,794,405)</u>

The largest portion of the Town's net position (\$59,896,586) 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 (\$3,129,867) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$142,230,576. Of this amount, (\$142,070,799) and (\$159,777) represents an unrestricted net deficit in governmental activities and business-type activities, respectively.

At the end of the current fiscal year, the Town reports positive balances in all categories of net position 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
JUNE 30, 2019**

Changes in Net Position

For the fiscal year ended June 30, 2019, the Town's total net position decreased by \$800,746, compared to a decrease of \$2,006,436 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 5,399,097	\$ 4,909,201	\$ 5,899,373	\$ 5,509,205	\$ 11,298,470	\$ 10,418,406
Operating Grants and Contributions	13,354,076	12,901,869	32,495	28,041	13,386,571	12,929,910
Capital Grants and Contributions	339,981	1,112,819	-	-	339,981	1,112,819
<i>General Revenues:</i>						
Real Estate and Personal Property Taxes	47,683,067	47,603,013	-	-	47,683,067	47,603,013
Motor Vehicle and Other Excise Taxes	2,896,666	2,744,298	-	-	2,896,666	2,744,298
Penalties and Interest on Taxes	187,088	171,992	-	-	187,088	171,992
Grants and Contributions not Restricted to Specific Programs	1,408,016	1,366,609	-	-	1,408,016	1,366,609
Unrestricted Investment Income	224,922	181,936	-	-	224,922	181,936
Contributions to Permanent Funds	8,500	8,713	-	-	8,500	8,713
Other	30,000	20,000	-	-	30,000	20,000
Total revenues	<u>71,531,413</u>	<u>71,020,450</u>	<u>5,931,868</u>	<u>5,537,246</u>	<u>77,463,281</u>	<u>76,557,696</u>
Expenses						
General Government	4,516,289	4,328,827	-	-	4,516,289	4,328,827
Public Safety	13,172,419	13,406,788	-	-	13,172,419	13,406,788
Education	47,679,176	49,044,417	-	-	47,679,176	49,044,417
Public Works	4,147,794	3,645,293	-	-	4,147,794	3,645,293
Health and Human Services	875,466	864,624	-	-	875,466	864,624
Culture and Recreation	1,612,623	1,594,273	-	-	1,612,623	1,594,273
Debt Service - Interest	836,357	709,311	-	-	836,357	709,311
Water	-	-	2,855,409	2,859,231	2,855,409	2,859,231
Sewer	-	-	2,534,199	2,111,368	2,534,199	2,111,368
Total Expenses	<u>72,874,419</u>	<u>73,593,533</u>	<u>5,389,608</u>	<u>4,970,599</u>	<u>78,264,027</u>	<u>78,564,132</u>
Change in Net Position Before Transfers	(1,343,006)	(2,573,083)	542,260	566,647	(800,746)	(2,006,436)
Transfers, Net	<u>822,407</u>	<u>712,633</u>	<u>(822,407)</u>	<u>(712,633)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(520,599)	(1,860,450)	(280,147)	(145,986)	(800,746)	(2,006,436)
Net Position - Beginning of Year, as restated*	<u>(94,030,962)</u>	<u>(87,257,373)</u>	<u>15,627,585</u>	<u>15,469,404</u>	<u>(78,403,377)</u>	<u>(71,787,969)</u>
Net Position - End of Year	<u><u>\$(94,551,561)</u></u>	<u><u>\$(89,117,823)</u></u>	<u><u>\$ 15,347,438</u></u>	<u><u>\$ 15,323,418</u></u>	<u><u>\$(79,204,123)</u></u>	<u><u>\$(73,794,405)</u></u>

*See Note 1

Governmental activities decreased the Town's net position by \$520,599. In the prior year, governmental activities decreased the Town's net position by \$1,860,450.

Business-type activities decreased the Town's net position by \$280,147. In the prior year, business-type activities decreased the Town's net position by \$145,986. The key element of this change is the increase in the Sewer fund's assessment (from the City of Lynn) totaling approximately \$150,000.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 \$15,286,533, a decrease of \$2,268,178 in comparison with the prior year. Approximately \$9,225,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$494,462)
- Restricted (\$3,130,490)
- Committed (\$1,832,496)
- Assigned (\$603,860)

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 \$10,163,059, while total fund balance was \$12,599,415. 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 15.0% of total general fund expenditures and transfers out, while total fund balance represents 18.7% of that same amount.

The budgetary balance of the Town's general fund decreased by \$1,065,992 during fiscal year 2019. The Town recognized an approximate \$2,461,000 budgetary surplus (excluding encumbrances and continuing appropriations), and anticipated utilizing approximately \$3,527,000 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 decreased by \$1,760,689 during the current fiscal year. The fund recognized a transfer in from the general fund of \$531,147. Expenditures of \$2,291,836 were incurred.

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 (\$84,013) and \$(75,764), respectively. The water enterprise fund had an increase in net position for the year totaling \$419,424 and the sewer enterprise fund had a decrease in net position for the year totaling \$699,571. 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
JUNE 30, 2019**

General Fund Budgetary Highlights

The original general fund budget of \$62,365,465 was increased by \$748,322 (1.2%) during the year. The following table summarizes the increase:

<u>Purpose of Increase (Decrease)</u>	<u>Amount</u>	<u>Funding Source</u>
Town Administrator Expenses	\$ 2,131	Unassigned fund balance
School Department Expenses	220,675	Unassigned fund balance
Transfer to Capital Articles	506,147	Unassigned fund balance
Transfer to Grant Funds	19,369	Unassigned fund balance
Total Increase, Net	<u>\$ 748,322</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 \$90,614,128 (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 increase in the investment in capital assets for the current fiscal year totaled \$1,088,626 or 1.2%.

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

- Water main rehabilitation (\$985,292)
- Road improvements (\$846,563)
- Stacy Brook sewer pipeline improvements (\$808,903)
- Purchase of fire truck (\$645,000)

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>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 4,420,080	\$ 4,420,080	\$ 252,182	\$ 252,182	\$ 4,672,262	\$ 4,672,262
Land Improvements	3,341,795	2,674,963	450	750	3,342,245	2,675,713
Buildings	50,045,107	51,813,956	476,036	496,134	50,521,143	52,310,090
Machinery and Equipment	2,052,610	1,465,052	166,394	284,662	2,219,004	1,749,714
Infrastructure	10,015,893	9,462,911	19,843,581	18,654,812	29,859,474	28,117,723
Total Capital Assets	<u>\$ 69,875,485</u>	<u>\$69,836,962</u>	<u>\$20,738,643</u>	<u>\$19,688,540</u>	<u>\$ 90,614,128</u>	<u>\$89,525,502</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 46 and 47 of this report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Long-Term Debt

At the end of the current fiscal year, total debt outstanding was \$31,342,904, 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>	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 25,249,925	\$27,143,288	\$ 2,918,367	\$ 2,537,042	\$28,168,292	\$ 29,680,330
MWRA Notes	-	-	2,987,050	2,737,185	2,987,050	2,737,185
MCWT Notes	-	-	187,562	204,337	187,562	204,337
Total Bonds and Notes	<u>\$ 25,249,925</u>	<u>\$27,143,288</u>	<u>\$ 6,092,979</u>	<u>\$ 5,478,564</u>	<u>\$31,342,904</u>	<u>\$ 32,621,852</u>

The Town's total debt (excluding unamortized premiums) decreased by \$1,278,948 (3.9%).

The Town's bond rating from Moody's Investor Services for the January 2018 bond issuance was Aa+.

Additional information on the Town's long-term debt can be found in Note 9 on pages 49 through 53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The fiscal year 2020 Budget for the Town of Swampscott totals \$68.7M, inclusive of debt exclusions for the new police station and the new high school of \$1.7M. Swampscott's total budget as presented in this document is comprised of a General Fund component as well as Water, Sewer, and PEG Enterprise Fund components. The General Fund Budget for fiscal year 2020 totals \$62.2M inclusive of the debt exclusions previously mentioned. This projected level of spending is \$1.1M more than the fiscal year 2019 budget. The Enterprise Fund Budget for fiscal year 2020 totals \$6.5M, an increase of \$337K as compared to the fiscal year 2019 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 and services, excluding schools, stabilization fund transfers, employee benefits and the Town's contribution to the Retirement System, is approximately \$20,779,138 for fiscal year 2020, an increase of \$204K, or 1.0% from fiscal year 2019. This includes projected salary step increases within existing collective bargaining agreements and an assumption of a 2% cost of living increase for non-contract employees. General Fund Debt Service included in the fiscal year 2020 budget totals \$3.4M. Approximately \$1.7M of this line item represents principal and interest payments outstanding on debt exclusions for the new high school and new police station. The Town's contribution to the Town's Retirement System and payments to the Non-Contributory Retirees for fiscal year 2020 increased by \$151K or 3%. State Assessments, or charges, are projected to increase by approximately \$79K in fiscal year 2020. In addition, a \$700,000 appropriation is being made to the Town's stabilization funds and OPEB Trust Fund in fiscal year 2020.

Funding for Education, which includes the Town's contribution to the School Department and the Essex North Shore Agricultural and Technical School District, is anticipated to be \$29,964,608 for fiscal year 2020. Included in this line item is a projected increase of \$580,792 for the Swampscott School Department. The vocational school appropriation is not projected to increase for fiscal year 2020.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Enterprise Fund Budget for fiscal year 2020 totals \$6.53M, representing a 5.6% increase from fiscal year 2019. Approximately \$3.86M, or 60% of total expenditures, will be funded through water user charges and \$2.47M or 39%, funded through sewer user charges and the remaining \$.2M or 1% through fees from cable bills.

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, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 10,330,036	\$ 3,107,516	\$ 13,437,552
Restricted Cash and Cash Equivalents	4,212,411	3,492,937	7,705,348
Investments	5,814,250	-	5,814,250
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	537,183	-	537,183
Tax and Utility Liens	909,007	135,271	1,044,278
Motor Vehicle and Other Excise Taxes	260,113	-	260,113
Water	-	859,485	859,485
Sewer	-	588,540	588,540
Departmental and Other	21,740	-	21,740
Intergovernmental	258,539	-	258,539
Total Current Assets	22,343,279	8,183,749	30,527,028
Noncurrent Assets:			
Capital Assets Not Being Depreciated	4,420,080	252,182	4,672,262
Capital Assets, Net of Accumulated Depreciation	65,455,405	20,486,461	85,941,866
Total Noncurrent Assets	69,875,485	20,738,643	90,614,128
Total Assets	92,218,764	28,922,392	121,141,156
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	4,390,793	88,542	4,479,335
Related to Pensions	5,598,545	320,962	5,919,507
Losses from Debt Refundings	54,196	-	54,196
Total Deferred Outflows of Resources	10,043,534	409,504	10,453,038
LIABILITIES			
Current Liabilities:			
Warrants Payable	569,211	633,185	1,202,396
Accrued Payroll	2,037,667	26,754	2,064,421
Tax Refunds Payable	939,062	-	939,062
Other Liabilities	233,476	-	233,476
Accrued Interest	220,346	34,399	254,745
Workers' Compensation Claims	61,560	-	61,560
Compensated Absences	144,376	966	145,342
Short-Term Notes Payable	1,617,000	2,216,000	3,833,000
Net OPEB Liability	850,760	17,156	867,916
Long-Term Bonds and Notes Payable	2,363,213	721,506	3,084,719
Total Current Liabilities	9,036,671	3,649,966	12,686,637
Noncurrent Liabilities:			
Workers' Compensation Claims	554,039	-	554,039
Compensated Absences	1,299,388	8,697	1,308,085
Net OPEB Liability	100,121,478	2,018,977	102,140,455
Net Pension Liability	40,943,769	2,347,288	43,291,057
Long-Term Bonds and Notes Payable	22,886,712	5,371,473	28,258,185
Total Noncurrent Liabilities	165,805,386	9,746,435	175,551,821
Total Liabilities	174,842,057	13,396,401	188,238,458
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	18,050,236	363,988	18,414,224
Related to Pensions	3,908,449	224,069	4,132,518
Taxes Collected in Advance	13,117	-	13,117
Total Deferred Inflow of Resources	21,971,802	588,057	22,559,859
NET POSITION			
Net Investment in Capital Assets	44,389,371	15,507,215	59,896,586
Restricted for:			
Permanent Funds:			
Expendable	186,101	-	186,101
Nonexpendable	494,462	-	494,462
Other Specific Purposes	2,449,304	-	2,449,304
Unrestricted	(142,070,799)	(159,777)	(142,230,576)
Total Net Position	\$ (94,551,561)	\$ 15,347,438	\$ (79,204,123)

See accompanying Notes to Financial Statements.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Primary Government:					
Governmental Activities:					
General Government	\$ 4,516,289	\$ 587,859	\$ 937,995	\$ 286,043	\$ (2,704,392)
Public Safety	13,172,419	1,161,189	136,260	4,375	(11,870,595)
Education	47,679,176	3,134,965	12,163,385	-	(32,380,826)
Public Works	4,147,794	122,561	9,203	49,563	(3,966,467)
Health and Human Services	875,466	67,752	77,863	-	(729,851)
Culture and Recreation	1,612,623	324,771	29,370	-	(1,258,482)
Debt Service-Interest	836,357	-	-	-	(836,357)
Total Governmental Activities	72,874,419	5,399,097	13,354,076	339,981	(53,781,265)
Business-Type Activities:					
Water	2,855,409	3,672,071	13,965	-	830,627
Sewer	2,534,199	2,227,302	18,530	-	(288,367)
Total Business-Type Activities	5,389,608	5,899,373	32,495	-	542,260
Total Primary Government	\$78,264,027	\$11,298,470	\$13,386,571	\$ 339,981	\$(53,239,005)

See accompanying Notes to Financial Statements.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	<u>\$ (53,781,265)</u>	<u>\$ 542,260</u>	<u>\$ (53,239,005)</u>
General Revenues:			
Real Estate and Personal Property Taxes	47,683,067	-	47,683,067
Motor Vehicle and Other Excise Taxes	2,896,666	-	2,896,666
Penalties and Interest on Taxes	187,088	-	187,088
Grants and Contributions not Restricted to Specific Programs	1,408,016	-	1,408,016
Unrestricted Investment Income	224,922	-	224,922
Contributions to Permanent Funds	8,500	-	8,500
Other	30,000	-	30,000
Transfers, Net	<u>822,407</u>	<u>(822,407)</u>	<u>-</u>
Total General Revenues and Transfers	<u>53,260,666</u>	<u>(822,407)</u>	<u>52,438,259</u>
CHANGE IN NET POSITION	<u>(520,599)</u>	<u>(280,147)</u>	<u>(800,746)</u>
Net Position - Beginning of Year, as restated	<u>(94,030,962)</u>	<u>15,627,585</u>	<u>(78,403,377)</u>
NET POSITION - END OF YEAR	<u><u>\$ (94,551,561)</u></u>	<u><u>\$ 15,347,438</u></u>	<u><u>\$ (79,204,123)</u></u>

See accompanying Notes to Financial Statements.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General	Capital Articles	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 10,330,036	\$ -	\$ -	\$ 10,330,036
Investments	5,814,250	-	-	5,814,250
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	537,183	-	-	537,183
Tax Liens	909,007	-	-	909,007
Motor Vehicle and Other Excise taxes	260,113	-	-	260,113
Departmental and Other	21,740	-	-	21,740
Intergovernmental	-	-	258,539	258,539
Restricted Assets:				
Cash and Cash Equivalents	-	1,380,811	2,831,600	4,212,411
Total Assets	<u>\$ 17,872,329</u>	<u>\$ 1,380,811</u>	<u>\$ 3,090,139</u>	<u>\$ 22,343,279</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 475,342	\$ 56,352	\$ 37,517	\$ 569,211
Accrued Payroll	2,014,267	-	23,400	2,037,667
Tax Refunds Payable	939,062	-	-	939,062
Other Liabilities	233,476	-	-	233,476
Short-Term Notes Payable	-	1,617,000	-	1,617,000
Total Liabilities	<u>3,662,147</u>	<u>1,673,352</u>	<u>60,917</u>	<u>5,396,416</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	1,597,650	-	49,563	1,647,213
Taxes Collected in Advance	13,117	-	-	13,117
Total Deferred Inflows of Resources	<u>1,610,767</u>	<u>-</u>	<u>49,563</u>	<u>1,660,330</u>
FUND BALANCES				
Nonspendable	-	-	494,462	494,462
Restricted	-	544,648	2,585,842	3,130,490
Committed	1,832,496	-	-	1,832,496
Assigned	603,860	-	-	603,860
Unassigned	10,163,059	(837,189)	(100,645)	9,225,225
Total Fund Balances	<u>12,599,415</u>	<u>(292,541)</u>	<u>2,979,659</u>	<u>15,286,533</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,872,329</u>	<u>\$ 1,380,811</u>	<u>\$ 3,090,139</u>	<u>\$ 22,343,279</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, 2019**

	General	Capital Articles	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes	\$ 47,184,049	\$ -	\$ -	\$ 47,184,049
Motor Vehicle and Other Excise Taxes	2,830,263	-	-	2,830,263
Tax Liens	129,236	-	-	129,236
Charges for Services	-	-	1,383,819	1,383,819
Intergovernmental	11,717,448	-	3,385,779	15,103,227
Penalties and Interest on Taxes	187,088	-	-	187,088
Licenses and Permits	790,054	-	-	790,054
Fines and Forfeitures	78,646	-	-	78,646
Departmental and Other	2,287,760	-	1,067,202	3,354,962
Contributions	-	-	76,279	76,279
Investment Income	578,035	-	3,664	581,699
Total Revenues	<u>65,782,579</u>	<u>-</u>	<u>5,916,743</u>	<u>71,699,322</u>
EXPENDITURES				
Current:				
General Government	2,906,325	312,374	802,856	4,021,555
Public Safety	8,005,304	777,135	519,794	9,302,233
Education	29,615,287	352,476	3,444,966	33,412,729
Public Works	2,746,506	802,781	638,240	4,187,527
Health and Human Services	324,182	-	60,161	384,343
Culture and Recreation	760,649	47,070	279,300	1,087,019
Pension Benefits	11,404,836	-	-	11,404,836
Employee Benefits	6,357,004	-	-	6,357,004
Property and Liability Insurance	448,888	-	-	448,888
State and County Charges	874,031	-	-	874,031
Debt Service:				
Principal	2,495,866	-	-	2,495,866
Interest	813,876	-	-	813,876
Total Expenditures	<u>66,752,754</u>	<u>2,291,836</u>	<u>5,745,317</u>	<u>74,789,907</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(970,175)</u>	<u>(2,291,836)</u>	<u>171,426</u>	<u>(3,090,585)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	822,407	531,147	124,834	1,478,388
Transfer Out	(655,981)	-	-	(655,981)
Total Other Financing Sources (Uses)	<u>166,426</u>	<u>531,147</u>	<u>124,834</u>	<u>822,407</u>
NET CHANGE IN FUND BALANCES	<u>(803,749)</u>	<u>(1,760,689)</u>	<u>296,260</u>	<u>(2,268,178)</u>
Fund Balances - Beginning of Year	<u>13,403,164</u>	<u>1,468,148</u>	<u>2,683,399</u>	<u>17,554,711</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,599,415</u>	<u>\$ (292,541)</u>	<u>\$ 2,979,659</u>	<u>\$ 15,286,533</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Governmental Fund Balances	\$ 15,286,533
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	69,875,485
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	1,647,213
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	(220,346)
Deferred losses on refunded bonds payable are reported as deferred outflows of resources on the statement of net position	54,196
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, net	(25,249,925)
Workers' Compensation Claims	(615,599)
Compensated Absences	(1,443,764)
Net OPEB Liability	(100,972,238)
Net Pension Liability	(40,943,769)
In the statement of net position, deferred outflows of resources and deferred inflows of resources are reported for amounts related to pensions	1,690,096
In the statement of net position, deferred outflows of resources and deferred inflows of resources are reported for amounts related to OPEB	<u>(13,659,443)</u>
Net Position of Governmental Activities	<u><u>\$ (94,551,561)</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$(2,268,178)

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.

Capital Outlays	2,840,434
Depreciation	(2,801,911)

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. (167,909)

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.

Bond Maturities	2,495,866
Amortization of Bond Premiums	47,347

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 (48,150)

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:

Workers' Compensation	27,645
Compensated Absences	(28,310)
Net OPEB Liability	(1,526,489)
Net Pension Liability	(2,477,316)

In the statement of activities, deferred outflows and inflows related to OPEB are amortized and recognized as OPEB expense. This amount represents the net change in deferred outflows and inflows related to OPEB. 1,065,898

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. 2,342,153

In the statement of activities, deferred outflows related to losses on refundings are amortized and recognized as interest expense. This amount represents the net change in deferred outflows related to losses on refundings. (21,679)

Changes in Net Position of Governmental Activities \$ (520,599)

See accompanying Notes to Financial Statements.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2019

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,456,273	\$ 1,651,243	\$ 3,107,516
Restricted Cash and Cash Equivalents	668,931	2,824,006	3,492,937
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	859,485	588,540	1,448,025
Utility Liens	64,956	70,315	135,271
Total Current Assets	3,049,645	5,134,104	8,183,749
Noncurrent Assets:			
Capital Assets not being Depreciated	2,542	249,640	252,182
Capital Assets, Net of Accumulated Depreciation	7,780,866	12,705,595	20,486,461
Total Noncurrent Assets	7,783,408	12,955,235	20,738,643
Total Assets	10,833,053	18,089,339	28,922,392
DEFERRED OUTFLOWS OF RESOURCES			
Related to OPEB	42,447	46,095	88,542
Related to Pensions	161,381	159,581	320,962
Total Deferred Outflows of Resources	203,828	205,676	409,504
LIABILITIES			
Current Liabilities:			
Warrants Payable	473,970	159,215	633,185
Accrued Payroll	13,589	13,165	26,754
Accrued Interest	-	34,399	34,399
Compensated Absences	790	176	966
Short-Term Notes Payable	-	2,216,000	2,216,000
Net OPEB Liability	8,225	8,931	17,156
Long-Term Bonds and Notes Payable	507,054	214,452	721,506
Total Current Liabilities	1,003,628	2,646,338	3,649,966
Noncurrent Liabilities:			
Compensated Absences	7,114	1,583	8,697
Net OPEB Liability	967,902	1,051,075	2,018,977
Net Pension Liability	1,180,227	1,167,061	2,347,288
Long-Term Bonds and Notes Payable	2,479,996	2,891,477	5,371,473
Total Noncurrent Liabilities	4,635,239	5,111,196	9,746,435
Total Liabilities	5,638,867	7,757,534	13,396,401
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB	174,497	189,491	363,988
Related to Pensions	112,663	111,406	224,069
Total Deferred Outflows of Resources	287,160	300,897	588,057
FUND NET POSITION			
Net Investment in Capital Assets	5,194,867	10,312,348	15,507,215
Unrestricted	(84,013)	(75,764)	(159,777)
Total Net Position	\$ 5,110,854	\$ 10,236,584	\$ 15,347,438

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, 2019**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for Services	\$ 3,603,212	\$ 2,186,290	\$ 5,789,502
Penalties and Interest	68,859	41,012	109,871
Total Operating Revenues	3,672,071	2,227,302	5,899,373
OPERATING EXPENSES			
Cost of Service and Administration	559,902	884,442	1,444,344
MWRA Assessment	2,026,276	-	2,026,276
City of Lynn Assessment	-	856,359	856,359
Depreciation	269,083	567,744	836,827
Total Operating Expenses	2,855,261	2,409,278	5,264,539
OPERATING INCOME	816,810	(181,976)	634,834
NONOPERATING REVENUES (EXPENSES)			
Investment Income	13,965	18,530	32,495
Interest Expense	(148)	(124,921)	(125,069)
Total Nonoperating Revenues (Expenses), Net	13,817	(106,391)	(92,574)
INCOME BEFORE TRANSFERS	830,627	(288,367)	542,260
Transfers Out	(411,203)	(411,204)	(822,407)
CHANGE IN FUND NET POSITION	419,424	(699,571)	(280,147)
Fund Net Position - Beginning of Year, as restated	4,691,430	10,936,155	15,627,585
FUND NET POSITION - END OF YEAR	<u>\$ 5,110,854</u>	<u>\$ 10,236,584</u>	<u>\$ 15,347,438</u>

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 3,732,627	\$ 2,260,053	\$ 5,992,680
Payments to Vendors	(2,129,965)	(1,536,239)	(3,666,204)
Payments to Employees	(313,710)	(312,495)	(626,205)
Net Cash Provided by Operating Activities	1,288,952	411,319	1,700,271
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers Out	(411,203)	(411,204)	(822,407)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	1,100,000	2,216,000	3,316,000
Acquisition and Construction of Capital Assets	(714,870)	(756,676)	(1,471,546)
Principal Payments on Bonds and Notes	(427,054)	(233,276)	(660,330)
Interest Paid	(563)	(105,092)	(105,655)
Net Cash Provided (Used) by Capital and Related Financing Activities	(42,487)	1,120,956	1,078,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	13,965	18,530	32,495
NET CHANGE IN CASH AND CASH EQUIVALENTS	849,227	1,139,601	1,988,828
Cash and Cash Equivalents - Beginning of Year (Includes \$89,815 and \$1,419,853 Reported as Restricted in the Water Enterprise Fund and Sewer Enterprise Fund, Respectively)	1,275,977	3,335,648	4,611,625
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$668,931 and \$2,824,006 Reported as Restricted in the Water Enterprise Fund and Sewer Enterprise Fund, Respectively)	<u>\$ 2,125,204</u>	<u>\$ 4,475,249</u>	<u>\$ 6,600,453</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income	\$ 816,810	\$ (181,976)	\$ 634,834
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation	269,083	567,744	836,827
Net OPEB Liability	14,757	16,025	30,782
Deferred Outflows Related to OPEB	(21,465)	(23,310)	(44,775)
Deferred Inflows Related to OPEB	11,160	12,119	23,279
Net Pension Liability	2,223	149,687	151,910
Deferred Outflows Related to Pension	(14,345)	(32,595)	(46,940)
Deferred Inflows Related to Pension	(54,341)	(32,826)	(87,167)
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(843)	(3,976)	(4,819)
Water Receivables	61,399	-	61,399
Sewer Receivables	-	36,727	36,727
Warrants Payable	202,463	(99,184)	103,279
Accrued Payroll	1,896	2,849	4,745
Compensated Absences	155	35	190
Total Adjustments	472,142	593,295	1,065,437
Net Cash Provided by Operating Activities	<u>\$ 1,288,952</u>	<u>\$ 411,319</u>	<u>\$ 1,700,271</u>

See accompanying Notes to Financial Statements.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019*

	Pension and OPEB Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 898,585	\$ 258,455	\$ 219,434
Investments			
External Investment Pool (PRIT)	43,804,453	-	-
Collective Investment Trust Fund	8,676,615	-	-
Real Estate	2,925,412	-	-
Private Equity	106,089	-	-
U.S. Treasuries and Agencies	383,434	-	-
Corporate Bonds	266,038	-	-
Fixed Income Mutual Funds	264,405	-	-
Equities and Equity Mutual Funds	1,256,109	-	-
Interest and Dividends Receivable	1,138	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Other	1,410	-	-
Total Assets	<u>58,583,688</u>	<u>258,455</u>	<u>\$ 219,434</u>
LIABILITIES			
Warrants Payable	14,877	-	\$ 636
Liabilities Due Depositors	-	-	218,798
Total Liabilities	<u>14,877</u>	<u>-</u>	<u>\$ 219,434</u>
NET POSITION			
Restricted for Pension Benefits, OPEB and Other Purposes	<u>\$ 58,568,811</u>	<u>\$ 258,455</u>	

* Except for the Pension Trust Fund (December 31, 2018)

See accompanying Notes to Financial Statements.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019***

	Pension and OPEB Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 8,700,096	\$ -
Plan Members	1,262,305	-
Private Donations	-	2,250
Total Contributions	9,962,401	2,250
Net Investment Income:		
Net Depreciation in Fair Value of Investments	(3,590,867)	-
Interest	1,719,885	310
Total Investment Income	(1,870,982)	310
Less: Investment Expense	(349,917)	-
Net Investment Income	(2,220,899)	310
Total Additions	7,741,502	2,560
DEDUCTIONS		
Administration	158,771	-
Retirement Benefits and Refunds	9,047,875	-
Scholarships Awarded	-	17,900
Total Deductions	9,206,646	17,900
CHANGE IN NET POSITION	(1,465,144)	(15,340)
Net Position - Beginning of Year	60,033,955	273,795
NET POSITION - END OF YEAR	<u>\$ 58,568,811</u>	<u>\$ 258,455</u>

* Except for the Pension Trust Fund (for the year ended December 31, 2018)

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 Funds

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, 2019

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, 2019, the Town's assessment totaled approximately \$340,000. 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, 2019, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The implementation of GASB Statements No. 83 and 88 had no reporting impact for the Town.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

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 and OPEB trust funds* are used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries, and to accumulate resources to provide funding for future OPEB (other postemployment benefits) liabilities.

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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Government-Wide and Fund Financial Statements (Continued)

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st 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 1st, November 1st, February 1st and May 1st 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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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.

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 acquisition value at the date of donation.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Government-Wide and Proprietary Funds Financial Statements (Continued)

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:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reports 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 three items that qualify for reporting in this category:

- Deferred outflows of resources related to OPEB is reported in the government-wide and proprietary funds statements of net position.
- Deferred outflows of resources related to pensions is reported in the government-wide and proprietary funds statements of net position.
- Deferred outflows of resources related to losses from debt refunding transactions is reported in the government-wide statement of net position.

O. Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds financial statements reports 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 four 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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources (Continued)

- 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 2020 tax levy.
- Deferred outflows of resources related to OPEB is reported in the government-wide and proprietary funds statements of net position.
- 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:

“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.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

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. Restatement

During the fiscal year ended June 30, 2019, the Town changed the measurement date used in determining the net OPEB liability from the beginning of the fiscal year to the end of the fiscal year. As a result, the previously reported net positions are restated as follows:

	Government-wide		Fund-basis	
	Governmental	Business-	Water	Sewer
	Activities	Type	Enterprise	Enterprise
		Activities	Fund	Fund
Net position as previously reported	\$ (89,117,823)	\$ 15,323,418	\$ 4,539,171	\$ 10,784,247
Impact of GASB 75 measurement date adjustment	(4,913,139)	304,167	152,259	151,908
Net position as restated	\$ <u>(94,030,962)</u>	\$ <u>15,627,585</u>	\$ <u>4,691,430</u>	\$ <u>10,936,155</u>

R. 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 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, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. 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.

T. 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.

U. 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 cost, as further discussed in Note 3.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Postretirement 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.

W. 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.

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.

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 2019 approved budget for the general fund authorized \$62,365,465 in appropriations. During fiscal year 2019, supplemental appropriations totaling \$748,322 were authorized.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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, 2019, expenditures exceeded appropriations for state and county charges.

C. Fund Deficits

At June 30, 2019, the following deficit unassigned balances exist:

Fund	Amount	Funding Source
Capital Articles (Major Fund)	\$ 837,189	Issuance of long-term debt
Chapter 90 Special Revenue Fund	62,636	Grant proceeds
Other Funds	38,009	Grant proceeds
Total Deficits	<u>\$ 937,834</u>	

NOTE 3 DEPOSITS AND INVESTMENTS

Town (excluding the Pension and OPEB Trust Funds)

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 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. The reported value of the pool is the same as the fair value of the pool shares.

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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2019, \$10,934,360 of the Town's bank balance of \$12,156,490 was uninsured and uncollateralized. The carrying value of the Town's deposits totaled \$11,742,864 at June 30, 2019.

Investments Summary

The Town's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries	\$ 1,443,042	\$ 101,285	\$ 1,218,729	\$ 123,028
U.S. Agencies	1,137,854	149,846	988,008	-
Corporate Bonds	925,443	-	721,161	204,282
Money Market Mutual Funds	90,868	90,868	-	-
Fixed Income Mutual Funds	590,450	590,450	-	-
External Investment Pool (MMDT)	9,787,057	9,787,057	-	-
Total Debt Securities	13,974,714	\$ 10,719,506	\$ 2,927,898	\$ 327,310
<u>Other Investments:</u>				
Equity Securities	1,717,461			
Total Investments	\$ 15,692,175			

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, 2019, the Town was not exposed to custodial credit risk.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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. As of June 30, 2019, the credit quality ratings of the Town's debt securities (except U.S. Treasuries which are backed by the full faith and credit of the United States) are as follows:

Investment Type	Total Amount	Quality Ratings *				
		AAA	AA	A	BAA	Unrated
Corporate Bonds	\$ 925,443	\$ -	\$ 204,282	\$ 208,756	\$ 512,405	\$ -
Money Market Mutual Funds	90,868	-	-	-	-	90,868
U.S. Agencies	1,137,854	1,137,854	-	-	-	-
Fixed Income Mutual Funds	590,450	-	-	-	-	590,450
External Investment Pools (MMDT)	9,787,057	-	-	-	-	9,787,057
Total	<u>\$ 12,531,672</u>	<u>\$ 1,137,854</u>	<u>\$ 204,282</u>	<u>\$ -</u>	<u>\$ 512,405</u>	<u>\$ 10,468,375</u>

*Per the rating scale of Standard and Poor's (a nationally recognized statistical 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, 2019, 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.

The Town has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Total Amount	Fair Value Measurements Using		
		Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equity Securities	\$ 1,717,461	\$ 1,717,461	\$ -	\$ -
Money Market Mutual Funds	90,868	90,868	-	-
U.S. Treasuries	1,443,042	1,443,042	-	-
U.S. Agencies	1,137,854	-	1,137,854	-
Corporate Bonds	925,443	-	925,443	-
Fixed Income Securities	590,450	590,450	-	-
Total Investments by Fair Value Level	<u>\$ 5,905,118</u>	<u>\$ 3,841,821</u>	<u>\$ 2,063,297</u>	<u>\$ -</u>
Investments measured at Amortized Cost:				
External Investment Pool (MMDT)	<u>9,787,057</u>			
Total Investments	\$ 15,692,175			

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

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

Investments classified in Level 2 are valued using matrix pricing technique. Matrix pricing is used to value securities' relationship to benchmark quoted prices.

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, 2018, the System was not exposed to custodial credit risk. The carrying value of the System's deposits totaled \$607,241 at December 31, 2018.

Investments Summary

The System's investments at December 31, 2018 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Money Market Mutual Funds	\$ 274,315	\$ 274,315
External Investment Pool (PRIT)	43,804,453	43,804,453
Total Debt Securities	44,078,768	\$ 44,078,768
<u>Other Investments:</u>		
Real Estate Investments	2,925,412	
Collective Investment Trust Fund	8,676,615	
Private Equity	106,089	
Total Other Investments	11,708,116	
Total Investments	\$ 55,786,884	

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2018, 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, 2018, 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, 2018, the System was not exposed to concentration of credit risk.

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.

The System has the following recurring fair value measurements as of December 31, 2018:

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)
Investments by Fair Value Level:				
Money Market Mutual Funds	\$ 274,315	<u>\$ 274,315</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the NAV:				
External Investment Pool (PRIT)	\$ 43,804,453			
Collective Investment Trust Fund	8,676,615			
Real Estate	2,925,412			
Private Equity	<u>106,089</u>			
Total Investments Measured at the NAV	<u>55,512,569</u>			
Total Investments	\$ 55,786,884			

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

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	Notice Period
External Investment Pool (PRIT)	\$ 43,804,453	-	Monthly	24 hours
Collective Investment Trust Fund	8,676,615	-	Daily	Daily
Real Estate	2,925,412	-	N/A	N/A
Private Equity	106,089	-	N/A	N/A
Total Investments Measured at the NAV	<u>\$ 55,512,569</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 objective 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.
- (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.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

OPEB Trust Fund (Trust)

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Trust's deposits may not be recovered. The Trust does not have a policy for custodial credit risk of deposits. As of June 30, 2019, the Trust was not exposed to custodial credit risk.

The Trustees have adopted a formal investment policy. It is the policy of the Trust to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across and broad selection of distinct asset classes.

Investments Summary

The Trust's investments at June 30, 2019 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries	\$ 204,438	\$ -	\$ 204,438	\$ -
U.S. Agencies	178,996	-	178,996	-
Corporate Bonds	266,038	-	266,038	-
Money Market Mutual Funds	17,029	17,029	-	-
Fixed Income Mutual Funds	264,405	264,405	-	-
Total Debt Securities	930,906	<u>\$ 281,434</u>	<u>\$ 649,472</u>	<u>\$ -</u>
<u>Other Investments:</u>				
Equity Securities	675,686			
Equity Mutual Funds	580,423			
Total Other Investments	1,256,109			
Total Investments	<u>\$ 2,187,015</u>			

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 Trust 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 Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trust does not have a policy for custodial credit risk of investments. As of June 30, 2019, the Trust was not exposed to custodial credit risk.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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 Trust does not have a policy for credit risk of debt securities. As of June 30, 2019, the credit quality ratings of the Trust's debt securities (except U.S. Treasuries which are backed by the full faith and credit of the United States) are as follows:

Investment Type	Total Amount	Quality Ratings *			
		AAA	AA	A	Unrated
Corporate Bonds	\$ 266,038	\$ -	\$ 81,897	\$ 184,141	\$ -
Money Market Mutual Funds	17,029	-	-	-	17,029
U.S. Agencies	178,996	178,996	-	-	-
Fixed Income Mutual Funds	264,405	-	-	-	264,405
Total	<u>\$ 726,468</u>	<u>\$ 178,996</u>	<u>\$ 81,897</u>	<u>\$ 184,141</u>	<u>\$ 281,434</u> *

Per the rating scale of Standard and Poor's (a nationally recognized statistical rating organization)

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. The Trust does not have a policy for concentration of credit risk. As of June 30, 2019, the Trust was not exposed to concentration of credit risk.

Investments – Fair Value Measurements

The Trust 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.

The Trust has the following recurring fair value measurement as of June 30, 2019:

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)
Investments by Fair Value Level:				
Equity Securities	\$ 675,686	\$ 675,686	\$ -	\$ -
Equity Mutual Funds	580,423	580,423	-	-
Money Market Mutual Funds	17,029	17,029	-	-
U.S. Treasuries	204,438	204,438	-	-
U.S. Agencies	178,996	-	178,996	-
Corporate Bonds	266,038	-	266,038	-
Fixed Income Mutual Funds	264,405	264,405	-	-
Total Investments by Fair Value Level	\$ 2,187,015	\$ 1,741,981	\$ 445,034	\$ -

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fair Value Measurements (Continued)

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

Investments classified in Level 2 are valued using matrix pricing technique. Matrix pricing is used to value securities' relationship to benchmark quoted prices.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2019, 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	\$ 587,778	\$ (50,595)	\$ 537,183
Tax Liens	909,007	-	909,007
Motor Vehicle and Other Excise Taxes	405,024	(144,911)	260,113
Departmental and Other	23,150	-	23,150
Intergovernmental	258,539	-	258,539
	<u>\$ 2,183,498</u>	<u>\$ (195,506)</u>	<u>\$ 1,987,992</u>

At June 30, 2019, receivables for the water and sewer enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water	\$ 859,485	\$ -	\$ 859,485
Sewer	588,540	-	588,540
Liens	135,271	-	135,271
	<u>\$ 1,583,296</u>	<u>\$ -</u>	<u>\$ 1,583,296</u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 4,420,080	\$ -	\$ -	\$ 4,420,080
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	3,977,809	860,672	-	4,838,481
Buildings and Improvements	77,704,144	101,900	-	77,806,044
Machinery and Equipment	5,735,896	1,031,299	-	6,767,195
Infrastructure	11,618,324	846,563	-	12,464,887
Total Capital Assets Being Depreciated	99,036,173	2,840,434	-	101,876,607
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(1,302,846)	(193,839)	-	(1,496,685)
Buildings and Improvements	(25,890,188)	(1,870,749)	-	(27,760,937)
Machinery and Equipment	(4,270,844)	(443,742)	-	(4,714,586)
Infrastructure	(2,155,413)	(293,581)	-	(2,448,994)
Total Accumulated Depreciation	(33,619,291)	(2,801,911)	-	(36,421,202)
Total Capital Assets Being Depreciated, Net	65,416,882	38,523	-	65,455,405
Total Governmental Activities Capital Assets, Net	\$ 69,836,962	\$ 38,523	\$ -	\$ 69,875,485
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 252,182	\$ -	\$ -	\$ 252,182
<u>Capital Assets Being Depreciated:</u>				
Land Improvements	6,000	-	-	6,000
Buildings and Improvements	2,785,115	-	-	2,785,115
Machinery and Equipment	2,021,527	-	-	2,021,527
Infrastructure	32,801,205	1,886,932	-	34,688,137
Total Capital Assets Being Depreciated	37,613,847	1,886,932	-	39,500,779
<u>Less Accumulated Depreciation For:</u>				
Land Improvements	(5,250)	(300)	-	(5,550)
Buildings and Improvements	(2,288,981)	(20,098)	-	(2,309,079)
Machinery and Equipment	(1,736,865)	(118,267)	-	(1,855,132)
Infrastructure	(14,146,393)	(698,164)	-	(14,844,557)
Total Accumulated Depreciation	(18,177,489)	(836,829)	-	(19,014,318)
Total Capital Assets Being Depreciated, Net	19,436,358	1,050,103	-	20,486,461
Total Business-Type Activities Capital Assets, Net	\$ 19,688,540	\$ 1,050,103	\$ -	\$ 20,738,643

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General Government	\$ 110,522
Public Safety	432,527
Education	1,580,476
Public Works	507,173
Culture and Recreation	171,213
Total Depreciation Expense - Governmental Activities	<u>\$ 2,801,911</u>

Business-Type Activities:

Water	\$ 269,083
Sewer	567,746
Total Depreciation Expense - Business-Type Activities	<u>\$ 836,829</u>

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2019 are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Capital Articles Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 531,147	124,834	\$ 655,981 (1)
Water Enterprise Fund	411,203	-	-	411,203 (2)
Sewer Enterprise Fund	411,204	-	-	411,204 (2)
	<u>\$ 822,407</u>	<u>\$ 531,147</u>	<u>124,834</u>	<u>\$ 1,478,388</u>

(1) Represents budgeted transfer to support the Town's capital articles (\$531,147). Also represents budgeted transfers to support grant fund deficits (\$19,369) and the PEG Access and Cable Related fund (\$105,465).

(2) Represents budgeted transfers for indirect costs.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2019 is as follows:

Notes Payable – Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
BAN	Land Acquisition	6/12/18	3/12/19	2.00%	\$ 240,000	\$ -	\$ (240,000)	\$ -
BAN	Land Acquisition	3/12/19	3/12/20	2.54%	-	240,000	-	240,000
BAN	Permitting Software	6/12/19	3/12/20	2.25%	-	50,000	-	50,000
BAN	Light Pole Replacement	6/12/19	3/12/20	2.25%	-	150,000	-	150,000
BAN	Snow Truck Removal	6/12/19	3/12/20	2.25%	-	78,000	-	78,000
BAN	Dump Truck	6/12/19	3/12/20	2.25%	-	63,300	-	63,300
BAN	Street Repairs (2)	6/12/19	3/12/20	2.25%	-	199,500	-	199,500
BAN	Clarke School - Fire Alarm Upgrade	6/12/19	3/12/20	2.25%	-	30,000	-	30,000
BAN	DPW Yard Building Repairs	6/12/19	3/12/20	2.25%	-	50,000	-	50,000
BAN	Library Elevator Sleeve	6/12/19	3/12/20	2.25%	-	80,000	-	80,000
BAN	Town Hall - Repairs to Windows	6/12/19	3/12/20	2.25%	-	33,500	-	33,500
BAN	Apron Repair	6/12/19	3/12/20	2.25%	-	22,770	-	22,770
BAN	Fire Station Study	6/12/19	3/12/20	2.25%	-	25,000	-	25,000
BAN	Breathing Apparatus	6/12/19	3/12/20	2.25%	-	6,100	-	6,100
BAN	Library Renovations	6/12/19	3/12/20	2.25%	-	55,000	-	55,000
BAN	Firearms Training Simulator	6/12/19	3/12/20	2.25%	-	29,690	-	29,690
BAN	Two Police Cruisers	6/12/19	3/12/20	2.25%	-	71,140	-	71,140
BAN	Phone System Upgrade	6/12/19	3/12/20	2.25%	-	25,000	-	25,000
BAN	High School Chromebooks	6/12/19	3/12/20	2.25%	-	35,000	-	35,000
BAN	Chromebooks	6/12/19	3/12/20	2.25%	-	35,000	-	35,000
BAN	iPads	6/12/19	3/12/20	2.25%	-	43,000	-	43,000
BAN	MacBook Airs	6/12/19	3/12/20	2.25%	-	85,000	-	85,000
BAN	Technology Infrastructure	6/12/19	3/12/20	2.25%	-	60,000	-	60,000
BAN	Elementary School HVAC Upgrades	6/12/19	3/12/20	2.25%	-	150,000	-	150,000
Total					<u>\$ 240,000</u>	<u>\$1,617,000</u>	<u>\$ (240,000)</u>	<u>\$1,617,000</u>

Notes Payable – Sewer Enterprise Fund

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2018	Increases	Decreases	Balance at June 30, 2019
BAN	Stacy Brook Sewer Rehabilitations	6/12/19	3/12/20	2.25%	<u>\$ -</u>	<u>\$2,216,000</u>	<u>\$ -</u>	<u>\$2,216,000</u>

Subsequent Events

On August 14, 2019 the Town issued a BAN for the Hadley Elementary School feasibility study in the amount of \$375,000 at an interest rate of 1.99% and a maturity date of March 12, 2020.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Bonds and Notes Payable	\$ 27,143,288	\$ -	\$ (2,495,866)	\$ 24,647,422	\$ 2,315,865
Unamortized Bond Premiums	649,850	-	(47,347)	602,503	47,348
Total Bonds and Notes Payable	27,793,138	-	(2,543,213)	25,249,925	2,363,213
Workers' Compensation Claims	643,244	-	(27,645)	615,599	61,560
Compensated Absences	1,415,454	28,310	-	1,443,764	144,376
Total	<u>\$ 29,851,836</u>	<u>\$ 28,310</u>	<u>\$ (2,570,858)</u>	<u>\$ 27,309,288</u>	<u>\$ 2,569,149</u>
Business-type Activities:					
Bonds and Notes Payable	\$ 2,990,123	\$ -	\$ (246,501)	\$ 2,743,622	\$ 203,616
Notes from Direct Borrowings	2,488,441	1,100,000	(413,829)	3,174,612	507,054
Unamortized Bond Premiums	185,582	-	(10,837)	174,745	10,836
Total Bonds and Notes Payable	5,664,146	1,100,000	(671,167)	6,092,979	721,506
Compensated Absences	9,473	190	-	9,663	966
Total	<u>\$ 5,673,619</u>	<u>\$ 1,100,190</u>	<u>\$ (671,167)</u>	<u>\$ 6,102,642</u>	<u>\$ 722,472</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, 2019 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Municipal Purpose Loan of 2008	08/15/19	3.0 - 4.5%	\$ 95,000	\$ -	\$ (95,000)	\$ -
School Construction	11/01/29	2.00%	4,228,411	-	(352,367)	3,876,044
Municipal Purpose Loan of 2010	09/15/22	2.5 - 3.0%	635,000	-	(145,000)	490,000
Municipal Purpose Loan of 2013	08/15/32	2.0 - 2.5%	1,943,400	-	(208,680)	1,734,720
General Obligation Refunding Bonds	04/15/25	2.0 - 3.0%	1,915,000	-	(285,000)	1,630,000
Police Station	09/15/28	2.0 - 4.25%	1,750,000	-	(175,000)	1,575,000
Municipal Purpose Loan of 2014	01/15/24	2.0 - 4.0%	945,000	-	(220,000)	725,000
General Obligation Refunding Bonds 2015 (Series A)	01/15/35	2.5%-4.0%	5,450,000	-	(245,000)	5,205,000
General Obligation Refunding Bonds 2015 (Series B)	05/15/26	3%-3.5	4,520,000	-	(200,000)	4,320,000
Municipal Purpose Loan of 2016	06/16/31	2%-4%	2,079,970	-	(284,715)	1,795,255
Municipal Purpose Loan of 2018	01/15/38	3%-5%	1,300,907	-	(118,990)	1,181,917
Turf Field Project-Debt Service	01/15/33	2.75%	800,000	-	(56,667)	743,333
2017 Capital Projects	01/15/38	2.79%	1,480,600	-	(109,447)	1,371,153
Total Governmental Funds			<u>\$ 27,143,288</u>	<u>\$ -</u>	<u>\$ (2,495,866)</u>	<u>\$ 24,647,422</u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Governmental Funds (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,315,865	\$ 778,380	\$ 3,094,245
2021	2,294,611	703,959	2,998,570
2022	2,214,729	626,519	2,841,248
2023	2,214,729	553,957	2,768,686
2024	2,024,329	487,677	2,512,006
2025	1,785,579	428,570	2,214,149
2026	1,545,577	378,634	1,924,211
2027	1,556,076	332,639	1,888,715
2028	1,519,522	289,817	1,809,339
2029	1,317,790	214,631	1,532,421
2030	1,337,790	180,274	1,518,064
2031	1,005,422	144,424	1,149,846
2032	930,090	114,078	1,044,168
2033	926,163	84,985	1,011,148
2034	758,830	56,346	815,176
2035	783,830	30,883	814,713
2036	38,830	3,640	42,470
2037	38,830	2,427	41,257
2038	38,830	1,213	40,043
Total	<u>\$24,647,422</u>	<u>\$ 5,413,054</u>	<u>\$30,060,476</u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water Enterprise

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Municipal Purpose Loan of 2008	08/15/18	3.0 - 4.5%	\$ 30,000	\$ -	\$ (30,000)	\$ -
Water (MWRA)*	08/15/19	0.0%	24,110	-	(12,055)	12,055
Water (MWRA)*	08/15/20	0.0%	299,994	-	(99,999)	199,995
Water (MWRA)*	08/15/21	0.0%	100,000	-	(25,000)	75,000
Water (MWRA)*	05/15/24	0.0%	960,000	-	(160,000)	800,000
Water (MWRA)*	08/15/26	0.0%	900,000	-	(100,000)	800,000
Water (MWRA)*	11/15/28	0.0%	-	1,100,000	-	1,100,000
Total Water Enterprise Fund			<u>\$ 2,314,104</u>	<u>\$ 1,100,000</u>	<u>\$ (427,054)</u>	<u>\$ 2,987,050</u>

*Notes from direct borrowings

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

Fiscal Year	Notes from Direct Borrowings		
	Principal	Interest	Total
2020	\$ 507,054	\$ -	\$ 507,054
2021	494,996	-	494,996
2022	395,000	-	395,000
2023	370,000	-	370,000
2024	370,000	-	370,000
2025	210,000	-	210,000
2026	210,000	-	210,000
2027	210,000	-	210,000
2028	110,000	-	110,000
2029	110,000	-	110,000
Total	<u>\$ 2,987,050</u>	<u>\$ -</u>	<u>\$ 2,987,050</u>

Bonds and Notes Payable – Sewer Enterprise Fund

Project	Maturity Date	Interest Rate	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Municipal Purpose Loan of 2008	08/15/18	3.0 - 4.5%	\$ 30,000	\$ -	\$ (30,000)	\$ -
Sewer 07-22 (MCWT)*	07/15/28	2.00%	204,337	-	(16,775)	187,562
Municipal Purpose Loan of 2013	08/15/22	2.0 - 2.5%	56,600	-	(11,320)	45,280
General Obligation Bond of 2016	06/23/31	2.0 - 4.0%	910,030	-	(70,285)	839,745
General Obligation Bond of 2018	1/15/2037	3.00%	50,000	-	(2,500)	47,500
Aggregate-Sewer	1/15/2038	2.72%	1,913,493	-	(102,396)	1,811,097
Total Sewer Enterprise Fund			<u>\$ 3,164,460</u>	<u>\$ -</u>	<u>\$ (233,276)</u>	<u>\$ 2,931,184</u>

*Notes from direct borrowings

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Sewer Enterprise Fund (Continued)

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

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2020	\$ 186,502	\$ 95,479	\$ 17,114	\$ 3,580	\$ 302,675
2021	187,756	87,195	17,459	3,234	295,644
2022	187,638	78,864	17,812	2,882	287,196
2023	187,638	70,535	18,172	2,522	278,867
2024	178,038	62,320	18,539	2,155	261,052
2025	176,789	54,133	18,913	1,781	251,616
2026	171,791	47,398	19,296	1,399	239,884
2027	171,292	40,913	19,685	1,009	232,899
2028	172,846	36,472	20,083	611	230,012
2029	169,578	31,983	20,489	205	222,255
2030	169,578	27,592	-	-	197,170
2031	164,578	23,202	-	-	187,780
2032	94,910	18,911	-	-	113,821
2033	93,838	16,064	-	-	109,902
2034	86,170	13,249	-	-	99,419
2035	86,170	10,664	-	-	96,834
2036	86,170	8,078	-	-	94,248
2037	86,170	5,386	-	-	91,556
2038	86,170	2,693	-	-	88,863
Total	<u>\$ 2,743,622</u>	<u>\$ 731,130</u>	<u>\$ 187,562</u>	<u>\$ 19,378</u>	<u>\$3,681,692</u>

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, 2019, the outstanding principal amount of these loans totaled \$2,987,050.

During fiscal year 2019, the Town issued \$1,100,000 of MWRA loans for water projects.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 LONG-TERM DEBT (CONTINUED)

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, 2019, the Town had the following authorized and unissued debt:

Purpose	Amount
School Department Technology Upgrades	\$ 325,000
Annual Non-Ch 90 Street Repairs	235,000
Re-Design/Construction Of Beach Entrances	200,000
Sea Wall Repairs/Storm Water System Repairs	200,000
New Street Lights-Purchase & Install	150,000
Middle School Upgrades And/Or Design/ Engineering Consulting Services	100,000
School Districtwide Roof/Plumbing/ Electrical/Hvac Repairs	78,000
Purchase Of New Voting Machines	60,000
Purchase Of Town Hall Electric Vehicles & Charging Stations	55,000
Purchase Of 6 Wheel Dump Truck W/ Plow	50,000
Town Hall Upgrades To Roof And Exterior Masonry	50,000
Upgrades To Town & Library Work Stations & Servers	50,000
Purchase Of One Police Cruiser	43,000
Purchase Of Sidewalk Snow Tractor	40,000
Windsor Ave Playground Upgrades	40,000
School District-Security Upgrades	35,000
Purchase Of Leaf Vacuum	30,000
Police Dept Purchase Of Ballistic Vests	30,000
Design/Phillips Beach Bathhouse/Restroom	25,000
Fire & Police Department Purchase Of Tactical Gear	25,000
Police Radio Equipment Replacement	25,000
Purchase Of Infield Grooming Machine	21,000
Purchase Of Electronic Traffic Advisory Signs	20,000
Fire Department Purchase Of Air Lift Bags	13,000
2 New Police Cruisers	8,860
Firearms Training Simulator	3,310
Total	<u><u>\$ 1,912,170</u></u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 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. The Plan is administered by the Town. 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 standalone, GAAP-basis audited financial report.

The OPEB trust fund was established on June 21, 2017 and is reported in the fiduciary funds financial statements using the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred.

Plan assets are managed by the Town Treasurer serving as the custodian and trustee of the fund. Investment policies and objectives are established by the trust agreement.

Plan membership as of June 30, 2019, the latest actuarial valuation, is as follows:

Active Plan Members	518
Inactive Plan Members	26
Retired, Disabled, Survivors and Beneficiaries	335
Total	<u>879</u>

Benefits provided – The Town provides health and life insurance coverage for its retirees and survivors.

Contributions – 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 costs of administering the Plan are paid by the Town.

For the fiscal year ended June 30, 2019, the employer contributions totaled \$3,304,930. Of this amount, \$250,000 was contributed to fund the trust and the remaining \$3,054,930 was contributed to fund current year benefit payments. The Trust did not receive contributions from any other sources.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net Other Postemployment Benefits Liability (Plan)

The components of the net OPEB liability of the Plan as of June 30, 2019, were as follows:

Total OPEB liability	\$ 105,195,386
Plan fiduciary net position	<u>2,187,015</u>
Plan's net OPEB Liability	<u><u>\$ 103,008,371</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	2.08%
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Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to the June 30, 2019 measurement date. The following actuarial assumptions were applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	July 1, 2018
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Investment Rate of Return:	6.50%, net of investment expense
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Inflation:	2.50% per year
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Healthcare/Medical Cost Trend Rate:

Commercial Managed Care Plan	9.25% decreasing to an ultimate level of 5.0% by 2025
Commercial Indemnity Plan	9.50% decreasing to an ultimate level of 5.0% by 2045
Medicare Managed Care Plan	8.25% decreasing to an ultimate level of 5.0% by 2023
Medicare Indemnity Plan	8.50% decreasing to an ultimate level of 5.0% by 2036

Mortality Rates:

Actives	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and
Retirees	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational
Disabled	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net Other Postemployment Benefits Liability (Plan) (Continued)

Investment Policies and Rates of Return – The OPEB Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustee. It is the policy of the Trustee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.01 percent. The money-weighted rate of return expresses investment performance, net of investment expense.

The long-term expected real rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity-Large Cap	32%	7.5%
Domestic Equity-Sm/Mid Cap	3%	9.1%
International Equity-Developed Market	6%	5.9%
International Equity-Emerging Market	3%	8.3%
Domestic-Fixed Income	35%	3.7%
International Fixed Income	6%	5.5%
Alternatives	10%	3.7%
Real Estate	4%	7.3%
Cash	1%	0.0%
Total	100%	4.6%

Discount rate. The discount rate used to measure the total OPEB liability was 3.69%. The discount rate was selected using the 20-year Municipal General Obligation bonds as shown in the Bond Buyer 20 Bond Index (3.50%).

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Net Other Postemployment Benefits Liability (Town)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2018	\$ 103,226,292	\$ 1,775,191	\$ 101,451,101
Changes for the year:			
Service cost	3,382,249	-	3,382,249
Interest	4,111,253	-	4,111,253
Changes of assumptions	3,401,988	-	3,401,988
Differences between expected and actual experience	(6,003,574)	-	(6,003,574)
Benefits payments	(2,922,822)	(2,922,822)	-
Contributions - employer	-	3,172,822	(3,172,822)
Net investment income	-	171,424	(171,424)
Administrative Expense	-	(9,600)	9,600
Net Changes	1,969,094	411,824	1,557,270
Balances at June 30, 2019	\$ 105,195,386	\$ 2,187,015	\$ 103,008,371

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability calculated using the discount rate of 3.69%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69%) or 1-percentage-point higher (4.69%) than the current rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB Liability	\$ 121,575,139	\$ 103,008,371	\$ 88,327,652

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

	1% Decrease	Base Trend	1% Increase
Net OPEB Liability	\$ 85,812,307	\$ 103,008,371	\$ 125,540,134

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$3,651,695. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ (18,380,368)
Changes of assumptions	4,479,335	-
Net difference between projected and actual earnings	<u>-</u>	<u>(33,856)</u>
Total	<u>\$ 4,479,335</u>	<u>\$ (18,414,224)</u>

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

Year ended June 30	
2020	\$ (3,776,946)
2021	(3,776,946)
2022	(3,782,418)
2023	(2,336,550)
2024	<u>(262,029)</u>
Total	<u>\$ (13,934,889)</u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 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 December 31, 2018:

Active Members	246
Inactive employees or beneficiaries currently receiving benefits	200
Inactive employees entitled to a return of contributions	168
	<hr/>
Total	614
	<hr/> <hr/>

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.

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).

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 PENSION PLAN – SCRS (CONTINUED)

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.

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, 2018, active member contributions totaled \$1,262,305 and employer contributions totaled \$5,395,166. Contributions to the System from the Town were \$5,323,410 for the year ended June 30, 2019.

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, 2018, were as follows:

Total Pension Liability	\$ 100,256,387
Plan Fiduciary Net Position	<u>(56,381,796)</u>
Net Pension Liability	<u>\$ 43,874,591</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.24%

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 PENSION PLAN – SCRS (CONTINUED)

At June 30, 2019, the Town reported a liability of \$43,291,057 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 for which update procedures were used to roll back the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on the Town's share of the annual pension fund appropriation, which is based on active covered payroll of the participating employers. At December 31, 2018, the Town's proportion was 98.6700%, which decreased by 0.05000% (98.7200%) from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$5,476,377. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 3,358,482	\$ -
Changes in Assumptions	2,426,013	-
Differences between expected and actual experience	135,012	4,089,252
Changes in Proportion	-	43,266
	<u>\$ 5,919,507</u>	<u>\$ 4,132,518</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>	
2020	\$ 443,142
2021	443,142
2022	443,142
2023	457,563
Total	<u>\$ 1,786,989</u>

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 PENSION PLAN – SCRS (CONTINUED)

Actuarial assumptions. The total pension liability for the December 31, 2018 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled back to December 31, 2018. This valuation used the following assumptions:

Salary Increases	3.75% per year, plus step increases during the first several years based on years of service, ranging from 1.25% to 4.25% over 5 years of service for Group 1 and 2 employees, from 4.25% to 9.25% over 4 years of service for Police; and from 3.25% to 5.25% over 3 years of service for Fire employees
Investment Rate of Return	7.375%
Interest Rate Credited to Annuity Savings Fund	3.50%
Cost of Living Adjustment	3.00% of first \$13,000 annually
Mortality:	
Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table projected generationally with MP-2018.
Healthy Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with MP-2018.
Disabled Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with MP-2018.
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

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 79% 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, 2019

NOTE 11 PENSION PLAN – SCRS (CONTINUED)

The System's annual money-weighted rate of return on pension plan investments was -4.09%. 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
Domestic equity	37.00%	6.16%
International developed markets equity	10.00%	6.69%
International emerging markets equity	6.00%	9.47%
Core fixed income	10.00%	1.89%
High-yield fixed income	10.00%	4.00%
Real estate	13.00%	4.58%
Commodities	2.00%	4.77%
Hedge fund, GTAA, risk parity	6.50%	3.68%
Private Equity	5.50%	10.00%
Totals	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.375%. 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, 2019

NOTE 11 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 7.375%, 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 (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
System's Net Pension Liability	\$ 54,584,838	\$ 43,874,591	\$ 34,784,976

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.375%, 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 (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Current Discount Rate (7.375%)	1% Increase (8.375%)
Town's Proportionate Share of the Net Pension Liability	\$ 53,858,857	\$ 43,291,057	\$ 34,322,334

Legally Required Reserve Accounts. The balance in the System's legally required reserves as of December 31, 2018 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 14,413,416	Active members' contribution balance
Annuity Reserve Fund	2,856,834	Retired members' contribution account
Pension Reserve Fund	35,401,408	Amounts appropriated to fund future retireme
Pension Fund	3,710,138	Remaining Net Position
Total	<u>\$ 56,381,796</u>	

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, 2019

NOTE 12 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS

The Town's Pension Trust Fund and OPEB Trust Fund statements of fiduciary net position are as follows:

	Pension Trust Fund*	OPEB Trust Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 881,556	\$ 17,029	\$ 898,585
Investments			
External Investment Pool (PRIT)	43,804,453	-	43,804,453
Collective Investment Trust Fund	8,676,615	-	8,676,615
Real Estate	2,925,412	-	2,925,412
Private Equity	106,089	-	106,089
U.S. Treasuries and Agencies	-	383,434	383,434
Corporate Bonds	-	266,038	266,038
Fixed Income Mutual Funds	-	264,405	264,405
Equities and Equity Mutual Funds	-	1,256,109	1,256,109
Interest and Dividends	1,138	-	1,138
Receivables, Net of Allowance for Uncollectible Amounts			
Other	1,410	-	1,410
Total Assets	<u>56,396,673</u>	<u>2,187,015</u>	<u>58,583,688</u>
LIABILITIES			
Warrants Payable	<u>14,877</u>	<u>-</u>	<u>14,877</u>
NET POSITION			
Restricted for Pension Benefits and OPEB	<u>\$ 56,381,796</u>	<u>\$ 2,187,015</u>	<u>\$ 58,568,811</u>

*As of December 31, 2018

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS (CONTINUED)

The Town's Pension Trust Fund and OPEB Trust Fund statements of fiduciary net position are as follows:

	Pension Trust Fund*	OPEB Trust Fund	Total
ADDITIONS			
Employer	\$ 5,395,166	\$ 3,304,930	\$ 8,700,096
Plan Members	1,262,305	-	1,262,305
Total Contributions	6,657,471	3,304,930	9,962,401
Net Investment Income:			
Net Depreciation in Fair Value of Investment	(3,590,867)	-	(3,590,867)
Interest	1,548,461	171,424	1,719,885
Total Investment Income	(2,042,406)	171,424	(1,870,982)
Less: Investment Expense	(349,917)	-	(349,917)
Net Investment Income	(2,392,323)	171,424	(2,220,899)
Total Additions	4,265,148	3,476,354	7,741,502
DEDUCTIONS			
Administration	149,171	9,600	158,771
Retirement Benefits and Refunds	5,992,945	3,054,930	9,047,875
Total Deductions	6,142,116	3,064,530	9,206,646
CHANGE IN NET POSITION	(1,876,968)	411,824	(1,465,144)
Net Position - Beginning of Year	58,258,764	1,775,191	60,033,955
NET POSITION - END OF YEAR	<u>\$ 56,381,796</u>	<u>\$ 2,187,015</u>	<u>\$ 58,568,811</u>

*For the year ended December 31, 2018

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>.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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, 2019. The Commonwealth's net pension liability associated with the Town was \$62,522,692.

The MTRS' net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,335,770 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Actuarial assumptions. The MTRS' total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

Investment Rate of Return	7.35%
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 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct) Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct) Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with MP-2016 (gender distinct).
Other	3.5% interest rate credited to the annuity savings fund 3.0% cost of living increase per year

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Value Added Fixed Income	10.0%	3.8%
Real Estate	10.0%	3.8%
Timber/Natural Resources	4.0%	3.4%
Totals	100.0%	

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

Discount rate. The discount rate used to measure the MTRS' total pension liability was 7.35%. 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.

NOTE 14 FUND BALANCES

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

	General	Capital Articles	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 494,462	\$ 494,462
Restricted:				
Capital	-	544,648	-	544,648
Municipal Television Access	-	-	312,364	312,364
Land	-	-	10,840	10,840
Circuit Breaker	-	-	625,933	625,933
Harbor Dredging	-	-	45,614	45,614
Cemetery	-	-	205,852	205,852
Recreation Revolving	-	-	258,270	258,270
School Lunch	-	-	140,957	140,957
General Government	-	-	178,223	178,223
Public Safety	-	-	80,960	80,960
Education	-	-	80,857	80,857
Public Works	-	-	465,647	465,647
Health and Human Services	-	-	47,773	47,773
Culture and Recreation	-	-	132,552	132,552
Sub-total - Restricted	-	544,648	2,585,842	3,130,490
Committed:				
Subsequent Year's Expenditures	966,210	-	-	966,210
Capital	866,286	-	-	866,286
Sub-total - Committed	1,832,496	-	-	1,832,496
Assigned:				
Encumbrances	603,860	-	-	603,860
Unassigned	10,163,059	(837,189)	(100,645)	9,225,225
Total Fund Balances	\$12,599,415	\$ (292,541)	\$ 2,979,659	\$ 15,286,533

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 total \$5,905,117 and \$866,286, 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, 2019, totaled \$615,599.

		Balance at	Current Year		Balance at
		Beginning of	Claims and		Fiscal
		Fiscal Year	Changes in	Claims	Year-end
			Estimate	Payments	
Fiscal Year 2018	\$	730,870	\$ 309,635	\$ (397,261)	\$ 643,244
Fiscal Year 2019		643,244	301,003	(328,648)	615,599

NOTE 17 COMMITMENTS

The Town has entered into, or is planning entering into, contracts totaling approximately \$1,900,000 for various capital projects.

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$603,859 at June 30, 2019.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2019.

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, 2019, 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. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.
- Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's 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, 2019**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 48,393,299	\$ -	\$ 48,393,299
Motor Vehicle and Other Excise Taxes	-	2,599,500	-	2,599,500
Tax Liens	-	-	-	-
Intergovernmental	-	5,331,600	-	5,331,600
Penalties and Interest on Taxes	-	165,500	-	165,500
Licenses and Permits	-	475,000	-	475,000
Fines and Forfeitures	-	70,000	-	70,000
Departmental and Other	-	1,972,500	-	1,972,500
Investment Income	-	160,000	-	160,000
Total Revenues	-	59,167,399	-	59,167,399
EXPENDITURES				
Current:				
General Government	190,093	3,570,975	(66,161)	3,694,907
Public Safety	24,322	8,046,708	154,346	8,225,376
Education	90,603	29,376,812	220,675	29,688,090
Public Works	49,514	2,744,215	133,741	2,927,470
Health and Human Services	700	338,453	18,718	357,871
Culture and Recreation	7,278	814,650	1,513	823,441
Pension Benefits	-	5,071,369	-	5,071,369
Employee Benefits	40,140	6,748,500	(168,843)	6,619,797
Property and Liability Insurance	-	580,000	(71,183)	508,817
State and County Charges	-	857,452	-	857,452
Debt Service:				
Principal	-	2,460,866	-	2,460,866
Interest	-	875,000	-	875,000
Total Expenditures	402,650	61,485,000	222,806	62,110,456
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(402,650)	(2,317,601)	(222,806)	(2,943,057)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	822,407	-	822,407
Transfers Out	-	(880,465)	(525,516)	(1,405,981)
Total Other Financing Sources (Uses)	-	(58,058)	(525,516)	(583,574)
NET CHANGE IN FUND BALANCE	(402,650)	(2,375,659)	(748,322)	(3,526,631)
Fund Balance - Beginning of Year	7,966,328	7,966,328	7,966,328	7,966,328
FUND BALANCE - END OF YEAR	<u>\$ 7,563,678</u>	<u>\$ 5,590,669</u>	<u>\$ 7,218,006</u>	<u>\$ 4,439,697</u>

See Accompanying Notes to Required Supplementary Information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 47,829,518	\$ -	\$ 47,829,518	\$ (563,781)
2,830,263	-	2,830,263	230,763
129,236	-	129,236	129,236
5,381,678	-	5,381,678	50,078
187,088	-	187,088	21,588
790,054	-	790,054	315,054
78,646	-	78,646	8,646
2,287,760	-	2,287,760	315,260
224,922	-	224,922	64,922
59,739,165	-	59,739,165	571,766
2,906,325	221,830	3,128,155	566,752
8,005,304	31,832	8,037,136	188,240
29,419,886	239,545	29,659,431	28,659
2,746,506	95,328	2,841,834	85,636
324,182	12,377	336,559	21,312
760,649	-	760,649	62,792
5,069,066	-	5,069,066	2,303
6,357,004	2,947	6,359,951	259,846
448,888	-	448,888	59,929
874,031	-	874,031	(16,579)
2,495,866	-	2,495,866	(35,000)
813,876	-	813,876	61,124
60,221,583	603,859	60,825,442	1,285,014
(482,418)	(603,859)	(1,086,277)	1,856,780
822,407	-	822,407	-
(1,405,981)	-	(1,405,981)	-
(583,574)	-	(583,574)	-
(1,065,992)	(603,859)	(1,669,851)	1,856,780
7,966,328	-	7,966,328	-
\$ 6,900,336	\$ (603,859)	\$ 6,296,477	\$ 1,856,780

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Service Cost	\$ 1,926,178	\$ 1,856,557	\$ 1,691,507	\$ 1,630,367	\$ 1,486,863
Interest	7,378,310	7,157,708	7,351,628	6,641,295	6,409,281
Difference between expected and actual experience	(2,572,588)	(4,820,732)	-	1,961,264	-
Change in assumptions	69,731	4,662,494	-	3,786,705	-
Benefit Payments, including refunds of member contributions, net of transfers (to)/from other systems and intergovernmental reimbursements	(5,993,059)	(5,975,542)	(5,359,288)	(5,043,935)	(5,235,027)
Net Change in Total Pension Liability	808,572	2,880,485	3,683,847	8,975,696	2,661,117
Total Pension Liability - Beginning	99,447,815	96,567,330	92,883,483	83,907,787	81,246,670
Total Pension Liability - Ending (a)	<u>\$ 100,256,387</u>	<u>\$99,447,815</u>	<u>\$96,567,330</u>	<u>\$92,883,483</u>	<u>\$83,907,787</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - Employer	\$ 5,395,166	\$ 5,393,055	\$ 5,012,346	\$ 4,711,121	\$ 4,543,164
Contributions - Member	1,262,305	1,271,321	1,245,816	1,192,683	1,461,902
Net Investment Income	(2,392,208)	8,849,707	2,573,669	409,071	3,565,866
Benefit Payments, including refunds of member contributions, net of transfers (to)/from other systems and intergovernmental reimbursements	(5,993,059)	(5,975,542)	(5,359,288)	(5,043,935)	(5,235,027)
Administrative Expense	(149,172)	(185,729)	(160,268)	(141,568)	(178,827)
Net Change in Plan Fiduciary Net Position	(1,876,968)	9,352,812	3,312,275	1,127,372	4,157,078
Plan Fiduciary Net Position - Beginning	58,258,764	48,905,952	45,593,677	44,466,305	40,309,227
Plan Fiduciary Net Position - Ending (b)	<u>\$ 56,381,796</u>	<u>\$58,258,764</u>	<u>\$48,905,952</u>	<u>\$45,593,677</u>	<u>\$44,466,305</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 43,874,591</u>	<u>\$41,189,051</u>	<u>\$47,661,378</u>	<u>\$47,289,806</u>	<u>\$39,441,482</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.24%	58.58%	50.64%	49.09%	52.99%
Covered Payroll	\$ 13,368,456	\$13,698,307	\$13,378,626	\$12,837,003	\$11,965,292
Net Pension Liability as a Percentage of Covered Payroll	328.2%	300.7%	356.3%	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
JUNE 30, 2019**

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

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 5,395,166	\$ 5,393,055	\$ 5,012,346	\$ 4,711,121	\$ 4,543,164
Contributions in Relation to the Actuarially Determined Contribution	5,395,166	5,393,055	5,012,346	4,711,121	4,543,164
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,368,456	\$ 13,698,307	\$ 13,378,626	\$ 12,837,003	\$ 11,965,292
Contributions as a Percentage of Covered Payroll	40.36%	39.37%	37.47%	36.70%	37.97%

(Continued)

	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 4,381,537	\$ 3,955,463	\$ 3,739,031	\$ 3,508,981	\$ 3,360,532
Contributions in Relation to the Actuarially Determined Contribution	4,381,537	3,955,463	3,739,031	3,508,981	3,360,532
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,089,580	\$ 11,089,580	\$ 10,858,678	\$ 10,654,167	\$ 10,747,973
Contributions as a Percentage of Covered Payroll	39.51%	35.67%	34.43%	32.94%	31.27%

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

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-4.09%	17.11%	4.07%	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
JUNE 30, 2019**

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

	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	98.6700%	98.7200%	98.7642%	98.8735%	99.0500%
Town's Proportionate Share of the Net Pension Liability	\$ 43,291,057	\$ 40,661,831	\$ 47,072,369	\$46,757,108	\$ 39,066,787
Town's Covered Payroll	\$ 13,190,656	\$ 13,522,969	\$ 13,210,906	\$12,677,254	\$ 11,861,620
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	328.19%	300.69%	356.31%	368.83%	329.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.24%	58.58%	50.64%	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**

	2019	2018	2017	2016	2015
Actuarially Required Contribution	\$ 5,323,410	\$ 5,324,024	\$ 4,947,940	\$ 4,655,413	\$ 4,496,769
Contributions in Relation to the Actuarially Required Contribution	5,323,410	5,324,024	4,947,940	4,655,413	4,496,769
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 13,197,340	\$ 13,522,969	\$ 13,210,906	\$ 12,677,254	\$ 11,861,620
Contributions as a Percentage of Covered Payroll	40.34%	39.37%	37.45%	36.72%	37.91%

(Continued)

	2014	2013	2012	2011	2010
Actuarially Required Contribution	\$ 4,335,836	\$ 3,995,894	\$ 3,779,980	\$ 3,548,971	\$ 3,403,534
Contributions in Relation to the Actuarially Required Contribution	4,335,836	3,995,894	3,779,980	3,548,971	3,403,534
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 11,186,504	\$ 11,186,504	\$ 10,747,286	\$ 10,841,912	\$ 10,841,912
Contributions as a Percentage of Covered Payroll	38.76%	35.72%	35.17%	32.73%	31.39%

See accompanying independent auditors' report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the Town's Net Pension Liability	<u>62,522,692</u>	<u>61,513,121</u>	<u>60,255,663</u>	<u>51,372,339</u>	<u>42,970,408</u>
Total	<u><u>\$ 62,522,692</u></u>	<u><u>\$ 61,513,121</u></u>	<u><u>\$ 60,255,663</u></u>	<u><u>\$ 51,372,339</u></u>	<u><u>\$ 42,970,408</u></u>
Percentage of Total Net Pension Liability	54.84%	54.25%	52.73%	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

See accompanying independent auditors' report.

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

OTHER POST EMPLOYMENT BENEFITS SCHEDULES

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS (1)**

	2019	2018	2017
<u>Total OPEB Liability</u>			
Service Cost	\$ 3,514,357	\$ 3,866,728	\$ 3,727,000
Interest	4,111,253	4,333,726	4,148,894
Differences between expected and actual experience	(6,003,574)	(21,016,447)	-
Changes of assumptions	3,401,988	2,638,213	-
Benefit Payments	(3,054,930)	(2,922,822)	(2,954,000)
Net Change in OPEB Liability	1,969,094	(13,100,602)	4,921,894
Total OPEB Liability - Beginning	103,226,292	116,326,894	111,405,000
Total OPEB Liability - Ending (a)	<u>\$105,195,386</u>	<u>\$103,226,292</u>	<u>\$116,326,894</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	\$ 3,304,930	\$ 3,172,822	\$ 4,471,856
Net Investment Income	171,424	16,819	-
Benefit Payments	(3,054,930)	(2,922,822)	(2,954,084)
Administrative Expenses	(9,600)	(9,400)	-
Net Change in Plan Fiduciary Net Position	411,824	257,419	1,517,772
Plan Fiduciary Net Position - Beginning	1,775,191	1,517,772	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,187,015</u>	<u>\$ 1,775,191</u>	<u>\$ 1,517,772</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$103,008,371</u>	<u>\$101,451,101</u>	<u>\$114,809,122</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	2.08%	1.72%	1.30%

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

SCHEDULE OF INVESTMENT RETURNS (PLAN) (1)

	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	9.01%	1.51%	0.00%

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

See accompanying independent auditors' report.

TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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, 2019 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	\$ 59,739,165	\$ 60,825,442	\$ (583,574)	\$ 6,296,477
<u>Reclassifications and Adjustments:</u>				
Capital Stabilization Fund Recorded in the General Fund for GAAP Purposes	6,306	-	250,000	866,286
Stabilization Fund Recorded in the General Fund for GAAP Purposes	346,807	-	500,000	5,905,117
Net Change in Recording 60-day Receipts	46,710	-	-	130,394
To Record MTRS On-Behalf Payments	6,335,770	6,335,770	-	-
Net Change in Recording Tax Refunds Payable	(679,062)	-	-	(939,062)
Net Change in Recording Other Revenues	(13,117)	-	-	(13,122)
Net Change in Recording Other Expenditures	-	195,401	-	(250,534)
To Record Encumbrances and Continuing Appropriations	-	(603,859)	-	603,859
GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 65,782,579</u>	<u>\$ 66,752,754</u>	<u>\$ 166,426</u>	<u>\$ 12,599,415</u>

