

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

NEW ISSUE

S&P Global Ratings: AA+
(see "Rating" herein)

NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 19, 2020

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

\$5,430,000*

TOWN OF SWAMPSCOTT
Massachusetts

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS

Dated: Date of Delivery

Due: February 15, 2021-2049

(See Next Page For Maturities)

Principal of the Bonds will be payable February 15 of the years in which the Bonds mature. Interest from the date of the Bonds will be payable on August 15, 2020 and semi-annually thereafter on each February 15 and August 15 until final maturity of the Bonds. The Bonds will be subject to redemption prior to their stated dates of maturity as described herein.

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

The legality of the Bonds will be approved by Locke Lord LLP, Boston, Massachusetts, Bond Counsel to the Town. UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, serves as financial advisor to the Town. It is expected that the Bonds, in definitive form, will be delivered to DTC, or the offices of its custodial agent, on or about March 11, 2020.

ELECTRONIC BIDS RECEIVED
11:00 a.m. (Eastern Standard Time)
Wednesday, February 26, 2020

UFASI

UNIBANK FISCAL ADVISORY SERVICES, INC.
A SUBSIDIARY OF UNIBANK

**Preliminary; subject to change.*

MATURITIES, RATES, AND PRICES/YIELDS

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP 869648</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price/ Yield</u>	<u>CUSIP 869648</u>
2021	\$480,000				2036	\$125,000			
2022	480,000				2037	125,000			
2023	480,000				2038	125,000			
2024	480,000				2039	125,000			
2025	325,000				2040	115,000			
2026	165,000				2041	105,000			
2027	165,000				2042	105,000			
2028	165,000				2043	105,000			
2029	165,000				2044	105,000			
2030	165,000				2045	105,000			
2031	165,000				2046	105,000			
2032	165,000				2047	105,000			
2033	165,000				2048	100,000			
2034	165,000				2049	100,000			
2035	150,000								

* Preliminary; subject to change.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

ISSUE SUMMARY STATEMENT

Issuer:	Town of Swampscott, Massachusetts
Date of Sale:	Wednesday, February 26, 2020 at 11:00 a.m. (Eastern Standard Time)
Method of Sale:	Electronic Bids via Parity
Minimum Bid:	101.125 percent of par (\$5,491,087.50) plus accrued interest, if any, to the date of delivery.
Location of Sale:	UniBank Fiscal Advisory Services, Inc., 49 Church St., Whitinsville, MA
Issue:	\$5,430,000* General Obligation Municipal Purpose Loan of 2020 Bonds, Book-Entry Only (See “Book-Entry Transfer System”, herein).
Purpose:	Financing the Town’s fiscal 2019 and 2020 capital programs.
Dated Date of Bonds:	Date of delivery (March 11, 2020).
Maturity Date of Bonds:	Serially on February 15, 2021 – 2049, as detailed herein.
Redemption:	The Bonds are subject to redemption prior to their stated dates of maturity as described herein.
Credit Rating:	S&P Global Ratings rating: AA+ (See “ <u>RATING</u> ” herein).
Security:	The Bonds are valid general obligations of the Town of Swampscott, Massachusetts and the principal of and interest on the Bonds are payable from taxes which may be levied upon all property within the territorial limits of the Town and taxable by it, subject to the limitations imposed by Chapter 59, Section 21C of the General Laws.
Basis of Award:	Lowest true interest cost (TIC) as of the dated date.
Tax Exemption:	Refer to “Tax Exemption” and Appendix C – “Proposed Form of Legal Opinion” herein.
Continuing Disclosure:	Refer to “Continuing Disclosure” and Appendix D – “Proposed Form of Continuing Disclosure Certificate” herein.
Bank Qualification:	<u>The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.</u>
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts
Delivery and Payment:	It is expected that the Bonds will be delivered to DTC, or the offices of its custodial agent, against payment to the account of the Town in federal reserve funds on or about March 11, 2020.

**Preliminary; subject to change.*

Issue Contacts:

M. Ronald Mendes, Assistant Town Administrator/Treasurer, Town of Swampscott
Telephone (781) 596-9553
David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc.,
Whitinsville, MA
Telephone (508) 849-4222
Richard A. Manley, Jr., Esq., Locke Lord LLP, Boston, MA
Telephone (617) 239-0384

Additional Information:

Refer to the Preliminary Official Statement dated February 19, 2020.

NOTICE OF SALE

TOWN OF SWAMPSCOTT Massachusetts

\$5,430,000*

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS

The Town of Swampscott, Massachusetts, will receive electronic proposals until 11:00 a.m. (Eastern Standard Time), on

Wednesday, February 26, 2020

at UniBank Fiscal Advisory Services, Inc., Whitinsville, Massachusetts, for the purchase of the following described Bonds:

\$5,430,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS, payable February 15 of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2021	\$480,000	2036	\$125,000
2022	480,000	2037	125,000
2023	480,000	2038	125,000
2024	480,000	2039	125,000
2025	325,000	2040	115,000
2026	165,000	2041	105,000
2027	165,000	2042	105,000
2028	165,000	2043	105,000
2029	165,000	2044	105,000
2030	165,000	2045	105,000
2031	165,000	2046	105,000
2032	165,000	2047	105,000
2033	165,000	2048	100,000
2034	165,000	2049	100,000
2035	150,000		

**Preliminary; subject to change.*

Details of the Bonds

The Bonds will be dated March 11, 2020. Interest from the date of the Bonds will be payable on August 15, 2020 and semi-annually thereafter on each February 15 and August 15 until the final maturity of the Bonds. Principal of and interest on the Bonds will be paid as described below. The Bonds are subject to redemption prior to their stated dates of maturity as described herein.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York, (DTC), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership affected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of

beneficial owners. Neither the Town nor the Paying Agent will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Bank Qualification

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Redemption of the Bonds

The Bonds are subject to redemption, at the option of the Town, upon the terms and conditions set forth in the Town's Preliminary Official Statement dated February 19, 2020, prepared in connection with the issuance of the Bonds.

Term Bonds

For Bonds maturing on and after February 15, 2028, bidders may specify that all of the principal amount of such bonds having any two or more consecutive maturities may, in lieu of having separate maturity dates be combined to comprise a term bond, and shall be subject to mandatory redemption or mature at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Each mandatory redemption shall be allocated to the payment of the term bond having the nearest subsequent maturity date.

Any term bond, if any, shall be subject to mandatory redemption on February 15 in the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot), as indicated in the foregoing maturity schedule at the principal amount thereof plus accrued interest to the redemption date, without premium.

Form of Bid and Basis of Award

Electronic proposals will be submitted through *i-Deal*[®]. If any provisions in this Notice of Sale conflict with information provided by *i-Deal*[®], this Notice of Sale shall control. Further information about *i-Deal*[®], including any fees charged, may be obtained from *i-Deal*[®] at (212) 849-5000. The Town assumes no responsibility or liability for bids submitted through *i-Deal*[®]. An electronic bid made in accordance with this Notice of Sale shall be deemed an irrevocable offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town. A good faith deposit is not required.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/8th or 1/20th of 1% but shall not state (a) more than one interest rate for any Bonds having a like maturity, and (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3%. **No bid of less than 101.125 percent of par (\$5,491,087.50) and accrued interest to date of delivery, if any, will be considered.**

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of March 11, 2020 discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event that two or more bidders submit the lowest true interest cost for the Bonds, the Town Treasurer shall determine the winning bidder by lot from among such proposals. The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Board of Selectmen of the Town.

Bond Insurance

The Town has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for the issuance of any such policy or commitment therefore, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in

any way relieve the purchaser of the contractual obligations arising from the acceptance of a proposal for the purchase of the Bonds. Should the successful bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for the rating on the Bonds. Any such fee paid to S&P Global Ratings would be borne by the Town.

Adjustments of Par Amount

The Town reserves the right to adjust the aggregate par amount of the Bonds, as well as the par amounts of individual maturities of the Bonds. The purpose of such adjustment will be to limit the amount of Bond proceeds, including premium, to approximately the amount needed for the cost of the projects being financed by the Bonds plus costs of issuance.

Any adjustment in either the aggregate principal amount or the individual maturities of the Bonds will be in an amount of \$5,000 or an integral multiple thereof. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustment in the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the Town as stated herein. The successful bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Immediately following the opening of the bids, the Town, acting through its financial advisor, will contact the apparent successful bidder to obtain the initial "production sheet" in order to determine reoffering prices, bond insurance premium, if any, and other such information. Upon being supplied with the initial "production sheet", the Town will determine the need to reduce the principal amount of the Bonds or otherwise re-allocate the principal maturities of the Bonds. The Town expects to advise the successful bidder as soon as possible, but no later than 3:00 p.m., Eastern Daylight Savings Time, on the date of the sale of the amount, if any, of any changes in either the aggregate principal amount (which changes will be allocated among several maturities of the Bonds in a manner to be specified by the Town) or individual maturities (assuming no changes in the aggregate principal amount of the Bonds).

Bidders should be advised that the amount of the reduction in the principal amount of the Bonds will be related to the amount of the premium bid on the Bonds.

Establishment of Issue Price

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

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

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;

3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

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

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

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

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

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

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

1. “public” means any person other than an underwriter or a related party,

2. “underwriter” means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), and

3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

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

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

Legal Opinion

The legality of the Bonds will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the original purchaser without charge. See “Opinion of Bond Counsel” in the Official Statement.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form presented in Appendix C to the Preliminary Official Statement dated February 19, 2020; (b) a certificate in form satisfactory to said firm dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of his knowledge and belief as of the date of sale, the Preliminary Official Statement and as of the date of delivery of the Bonds, the Final Official Statement referred to below, do not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

CUSIP Identification Numbers

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

Continuing Disclosure

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

Delivery

The Bonds, in definitive form, will be delivered to the purchaser at DTC, or the offices of its custodial agent, on or about March 11, 2020 against payment in federal reserve funds.

Additional Information and Copies of the Official Statement

Additional information concerning the Town and the Bonds is contained in the Preliminary Official Statement dated February 19, 2020, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Such Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering prices, interest rates and any other items of the Bonds depending on such matters and the identity of the underwriters. Copies of the Preliminary Official Statement and a suggested form of proposal for the Bonds may be obtained David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc., 49 Church St., Whitinsville, Massachusetts, telephone (508) 849-4222. Within seven (7) business days following award of the Bonds in accordance herewith, up to 25 copies of a Final Official Statement will be furnished to the successful bidder. Additional copies may be obtained at the purchaser's expense.

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

**TOWN OF SWAMPSCOTT
Massachusetts**

/s/ M. Ronald Mendes
Assistant Town Administrator/Treasurer

Dated: February 19, 2020

EXHIBIT 1

[Issue Price Certificate for Use If the Competitive Sale Requirements Are Met]

\$5,430,000*

TOWN OF SWAMPSCOTT, MASSACHUSETTS GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS Dated March 11, 2020

ISSUE PRICE CERTIFICATE AND RECEIPT

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

1. Reasonably Expected Initial Offering Prices.

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

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

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

2. Defined Terms.

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

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

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is February 26, 2020.

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

The representations set forth in this certificate is limited to factual matters only. Nothing in this certificate represents the Successful Bidder’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP

* Preliminary, subject to change.

in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. The Successful Bidder hereby acknowledges receipt from the Issuer of the bonds of the Issue and further acknowledges receipt of all certificates, opinion, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such bonds of the Issue, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

Dated: March __, 2020

[SUCCESSFUL BIDDER]

By: _____

Name:

Title:

SCHEDULE A – Expected Reoffering Prices (to be attached)

SCHEDULE B – Copy of Successful Bidder’s Bid (to be attached)

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

\$5,430,000*

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS
Dated March 11, 2020**

ISSUE PRICE CERTIFICATE AND RECEIPT

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

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

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

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

3. Defined Terms.

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

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

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

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

* Preliminary; Subject to change.

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

Dated: March __, 2020 [SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____

Name:

Title:

[SCHEDULE A – SALE PRICES (to be attached)]

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

\$5,430,000*

**TOWN OF SWAMPSCOTT, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS
DATED MARCH 11, 2020**

ISSUE PRICE CERTIFICATE AND RECEIPT

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

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

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

[For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) _____, 2020 or (ii) the date on which the [Successful Bidder][Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.]

2. Defined Terms.

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

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

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

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

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

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

Dated: March ___, 2020

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: _____

Name:

Title:

* *Preliminary, subject to change.*

Schedule A – Sale Prices (to be attached)

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OFFICIAL STATEMENT

**TOWN OF SWAMPSCOTT
MASSACHUSETTS**

\$5,430,000*

GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2020 BONDS

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Swampscott, Massachusetts (the “Town”) in connection with the sale of its \$5,430,000* General Obligation Municipal Purpose Loan of 2020 Bonds dated March 11, 2020 (the “Bonds”).

The Bonds are being offered for sale at public bidding and a Notice of Sale dated February 19, 2020, has been furnished to prospective bidders. Reference is hereby made to the Notice of Sale for the terms and conditions of bidding.

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

Questions regarding information contained in this Official Statement or other matters should be directed to M. Ronald Mendes, Assistant Town Administrator/Treasurer (781) 596-9553, David M. Eisenthal, Vice President, UniBank Fiscal Advisory Services, Inc. (508) 849-4222, or Richard A. Manley, Jr., Locke Lord LLP (617) 239-0384.

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

**Preliminary; subject to change.*

PART I

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated March 11, 2020 and will mature on February 15 of the years and in the principal amounts as follows:

<u>Due</u> <u>February 15</u>	<u>Principal</u> <u>Amount*</u>	<u>Due</u> <u>February 15</u>	<u>Principal</u> <u>Amount*</u>
2021	\$480,000	2036	\$125,000
2022	480,000	2037	125,000
2023	480,000	2038	125,000
2024	480,000	2039	125,000
2025	325,000	2040	115,000
2026	165,000	2041	105,000
2027	165,000	2042	105,000
2028	165,000	2043	105,000
2029	165,000	2044	105,000
2030	165,000	2045	105,000
2031	165,000	2046	105,000
2032	165,000	2047	105,000
2033	165,000	2048	100,000
2034	165,000	2049	100,000
2035	150,000		

**Preliminary; subject to change.*

The Bonds will bear interest at the rate or rates per annum specified by the successful bidder.

Principal and semi-annual interest will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, acting as paying agent (the "Paying Agent"). Interest from the date of the Bonds will be payable on August 15, 2020 and semi-annually thereafter on each February 15 and August 15. So long as The Depository Trust Company ("DTC"), New York, New York or its nominee, Cede & Co., is the Bondowner, such payments of principal and interest on the Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are issuable only in fully registered form without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for DTC. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See Book-Entry Transfer System herein.)

Record Date

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

Book-Entry Transfer System

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

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

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

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

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

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

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

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

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

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

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

DTC Practices

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

AUTHORIZATION AND USE OF PROCEEDS

The Bonds are authorized for the following purposes pursuant to votes of the Town on May 22, 2018 and May 21, 2019.

<u>Purpose</u>	<u>Par Amount (1)</u>	<u>Statute</u>
Permitting Software	\$ 50,000	Chapter 44, Section 7(7)
Light Pole Replacement	150,000	Chapter 44, Section 7(1)
Snow Removal Truck	78,000	Chapter 44, Section 7(1)
Dump Truck	66,000	Chapter 44, Section 7(1)
Street Repairs	199,500	Chapter 44, Section 7(1)
Clarke School – Fire Alarm upgrade	30,000	Chapter 44, Section 7(1)
DPW Yard Building Repairs	50,000	Chapter 44, Section 7(1)
Library Elevator Sleeve	80,000	Chapter 44, Section 7(1)
Town Hall – Repairs to Windows	33,500	Chapter 44, Section 7(1)
Apron Repair (2)	22,000	Chapter 44, Section 7(1)
Fire Station Study	25,000	Chapter 44, Section 7(7)
Breathing Apparatus (3)	5,000	Chapter 44, Section 7(1)
Library Renovations	55,000	Chapter 44, Section 7(1)
Firearms Training Simulator	33,000	Chapter 44, Section 7(1)
Two Police Cruisers	80,000	Chapter 44, Section 7(1)
Phone System Upgrade	25,000	Chapter 44, Section 7(1)
High School Chromebooks	35,000	Chapter 44, Section 7(1)
Chromebooks	35,000	Chapter 44, Section 7(1)
iPads	43,000	Chapter 44, Section 7(1)
MacBook Airs	85,000	Chapter 44, Section 7(1)
Technology Infrastructure	60,000	Chapter 44, Section 7(1)
Elementary School HVAC Upgrades	150,000	Chapter 44, Section 7(1)
Stacy Brook Sewer Rehabilitation (4)	2,212,000	Chapter 44, Section 7(1)
Design – Bathhouse	25,000	Chapter 44, Section 7(7)
Electric Charging Station	55,000	Chapter 44, Section 7(1)
Tactical Gear	25,000	Chapter 44, Section 7(1)
Air Lift Bags	13,000	Chapter 44, Section 7(1)
Police Radio Equipment	25,000	Chapter 44, Section 7(1)
Ballistic Vests	30,000	Chapter 44, Section 7(1)
Police Cruiser	43,000	Chapter 44, Section 7(1)
Snow Tractor	40,000	Chapter 44, Section 7(1)
Infield Grooming Machine	21,000	Chapter 44, Section 7(1)
Dump Truck	50,000	Chapter 44, Section 7(1)
Traffic Advisory Signs	20,000	Chapter 44, Section 7(1)
School Technology (5)	323,000	Chapter 44, Section 7(9)
Work Stations	50,000	Chapter 44, Section 7(1)
Voting Machines	60,000	Chapter 44, Section 7(1)
Street Repairs	235,000	Chapter 44, Section 7(1)
Street Lights	150,000	Chapter 44, Section 7(1)
Sea Wall Repairs	200,000	Chapter 44, Section 7(1)
Beach Entrances	200,000	Chapter 44, Section 7(1)
Roof/Plumbing	78,000	Chapter 44, Section 7(1)
Middle School Upgrades	100,000	Chapter 44, Section 7(1)
School Security Upgrades	35,000	Chapter 44, Section 7(1)
Town Hall Upgrades	50,000	Chapter 44, Section 7(1)
Total	<u>\$5,430,000</u>	

Notes to previous table:

- (1) *Par amounts preliminary; subject to change.*
- (2) *The principal amount plus \$770 in premium is expected to fund maturing bond anticipation notes totaling \$22,770.*
- (3) *The principal amount plus \$1,100 in premium is expected to fund maturing bond anticipation notes totaling \$6,100.*
- (4) *Debt service for this purpose is expected to be paid from sewer system revenues. The principal amount plus \$4,000 in premium is expected to fund maturing bond anticipation notes totaling \$2,216,000.*
- (5) *The principal amount plus \$2,000 in premium is expected to fully fund project costs totaling \$325,000.*

REDEMPTION

Optional Redemption

The Bonds maturing in the years 2021 to 2027 are not subject to redemption prior to their stated date of maturity.

The Bonds maturing on and after February 15, 2028 are subject to redemption prior to maturity, at the option of the Town, on and after February 15, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at par plus accrued interest to the date set for redemption.

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

Mandatory Redemption

Term Bonds, if any are specified by the successful bidder, will be subject to mandatory redemption on February 15 for in each year or years immediately prior to the stated maturity of such Term Bonds (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated on the cover page of the Preliminary Official Statement at the principal amount thereof plus accrued interest to the redemption date.

SECURITY AND REMEDIES

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

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

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

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

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

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

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

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

the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

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

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

OPINION OF BOND COUNSEL

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

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

TAX EXEMPTION

In the opinion of Locke Lord LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. **The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds.

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

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

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

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

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

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds or notes. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may

be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rate on the Bonds is not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

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

RATING

On February 19, 2020, S&P Global Ratings assigned a AA+ rating to the Bonds. Such rating reflects the agency's view only and is subject to revision or withdrawal which could affect the market price of the Bonds.

CONTINUING DISCLOSURE

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

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

PART II

TOWN OF SWAMPSCOTT, MASSACHUSETTS

Swampscott, Massachusetts (“the Town”) incorporated as a Town in 1852, is governed by a representative town meeting and a five member Board of Selectmen and is located in southeastern Essex County. The Town covers an area of approximately 3.05 square miles and is bordered on the east and south by the Atlantic Ocean, on the west by the City of Lynn and on the north by the City of Salem and the Town of Marblehead.

CONSTITUTIONAL STATUS AND FORM OF GOVERNMENT

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

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

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

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

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

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

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

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

GOVERNING BODIES AND OFFICERS

Local legislative decisions are made by a representative town meeting consisting of 324 members and a five member Board of Selectmen in the Town. Subject to the legislative decisions made by town meeting, the affairs of the Town are generally administered by a five member Board of Selectmen, each of whom is elected for a staggered three-year term on an at-large basis. Local taxes are assessed by the three member Board of Assessors, each of whom is elected for staggered three-year term. The affairs of the schools are generally administered by a five member School Committee, each of whom is elected for staggered three-year terms on an at-large basis. The following are the principal executive officers:

<u>Office</u>	<u>Name</u>	<u>Manner of Selection and Term</u>	<u>Term Expires</u>
Selectmen	Peter Spellios, Chair	Elected / 3 years	2021
	Naomi Dreeben	Elected / 3 years	2020
	Laura Spathanas	Elected / 3 years	2020
	Donald M. Hause	Elected / 3 years	2022
	Mary Polly Titcomb	Elected / 3 years	2022
Town Administrator	Sean R. Fitzgerald	Appointed / 5 years	2025
Assistant Town Administrator/DPW Director	Gino A. Cresta, Jr.	Appointed / 3 years	2021
Assistant Town Administrator/Treasurer/ Collector/Chief Procurement Officer	M. Ronald Mendes	Appointed / 3 years	2021
Town Accountant	Vacant (1)	Appointed	
Director of Human Resources	M. Julie DeLillo	Appointed / 1 year	2020
Town Clerk	Susan J. Duplin	Appointed / 3 years	2021
Town Counsel	KP Law	Appointed / 1 year	2020

(1) The acting Town Accountant is Patrick Luddy. The Town is actively searching for a permanent Town Accountant.

SERVICES

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage, public education in grades K through 12, streets, public libraries, parks and recreation. Water services are provided to essentially all residential, commercial and industrial users by the Town and through connections to the Massachusetts Water Resources Authority (MWRA). Sewage disposal is provided to most residential, commercial, and industrial users through a connection with the Lynn Water and Sewer Commission (LWSC).

Legislation was passed by the state legislature abolishing the county governments of Franklin and Middlesex Counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester Counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation also required the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in other counties.

AUTHORIZATION OF GENERAL OBLIGATION BONDS AND NOTES

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

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

DEBT LIMITS

General Debt Limit. The General Debt Limit of the Town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit for the Town is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The present debt limit of the Town, based on the 2018 equalized valuation, is \$150,075,145. The Town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the Municipal Finance Oversight Board, composed of the State Treasurer, the State Auditor, the Attorney General, and the Director of Accounts.

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

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

TYPES OF OBLIGATIONS

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

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

first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

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

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

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

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

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

DEBT (1)

The following shows the direct debt outstanding as of March 11, 2020, including the Bonds:

General Obligation Bonds:

Within General Debt Limit (2)		
Sewers & Drains	\$ 3,194,411	
Schools	15,946,990	
Other Building	3,552,402	
Streets Sidewalks & Parking	830,534	
Departmental Equipment	808,955	
Architectural & Engineering	31,250	
Athletic & Recreational Facilities	943,158	
Other Inside General	425,973	
The Bonds (3)	<u>5,430,000</u>	
Total Within Debt Limit (3)		\$31,163,673
Outside General Debt Limit:		
Sewers (4)	170,448	
Water (4)	<u>2,639,999</u>	
Total Outside Debt Limit		<u>2,810,447</u>
Total Long-Term Indebtedness		\$33,974,120
Temporary Loans in Anticipation of:		
Revenue	\$ 0	
Bonds (5)	1,100,000	
Grants	<u>0</u>	
Total Temporary Loans		<u>\$ 1,190,000</u>
Total Direct Debt (3)(6)		<u>\$35,164,120</u>

- (1) *Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.*
- (2) *At the present time, the normal general debt limit is \$150,075,145 and the double general debt limit is \$300,150,290.*
- (3) *Par amount subject to change.*
- (4) *Supported by enterprise revenues.*
- (5) *Does not include \$3,593,000 par amount of bond anticipation notes that will be retired at their current maturity of March 12, 2020 with Bond proceeds.*
- (6) **\$15,823,673 has been exempted from the provisions of Proposition 2 ½. \$6,128,521 is self-supporting.**

AUTHORIZED UNISSUED DEBT AND PROSPECTIVE FINANCING

Following delivery of the Bonds, the Town will have \$1,670,630 authorized unissued debt for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Fiscal 2018 Capital Program	\$ 630
Fiscal 2019 Capital Program	70,000
Rail Trail Design/Construction	850,000
Feasibility Study – School Project	750,000

The Town expects to temporarily finance a portion of the fiscal 2019 capital program with bond anticipation notes before the end of fiscal 2019 and to permanently finance these purposes in fiscal 2020.

The Town currently has \$615,000 par amount of bond anticipation notes outstanding for rail trail design/construction (\$240,000) and the feasibility study (\$375,000). The Town will be issuing \$1,190,000 bond anticipation notes simultaneous with this issue of Bonds. Plans for permanent financing are not certain at this time.

FIVE YEARS OUTSTANDING DEBT (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Long-Term Indebtedness					
Within the General Debt Limit:					
Sewers & Drains	\$ 3,431,628	\$ 3,811,879	\$ 2,128,739	\$ 2,408,982	\$ 1,565,560
Schools	16,620,645	17,917,334	18,670,973	20,797,326	21,678,330
Other Building	3,972,376	4,489,902	4,703,144	5,369,092	5,817,868
Streets Sidewalks & Parking	910,892	1,072,500	726,750	906,000	384,000
Departmental Equipment	898,464	1,036,473	366,999	543,582	491,965
Architectural & Engineering Services	31,250	62,500	156,430	250,360	188,040
Athletic & Recreational Facilities	1,026,370	1,133,082	231,888	303,124	261,664
Other Inside General	<u>499,415</u>	<u>579,738</u>	<u>190,852</u>	<u>239,566</u>	<u>241,941</u>
Total Within the General Debt Limit	\$27,391,040	\$30,103,408	\$27,175,775	\$30,818,032	\$30,629,367
Outside the General Debt Limit:					
Sewers	\$ 187,562	\$ 204,337	\$ 220,779	\$ 236,896	\$ 252,694
Water	<u>2,987,052</u>	<u>2,314,105</u>	<u>2,797,185</u>	<u>2,236,291</u>	<u>2,731,424</u>
Total Outside the General Debt Limit	<u>\$ 3,174,614</u>	<u>\$ 2,518,442</u>	<u>\$ 3,017,964</u>	<u>\$ 2,473,187</u>	<u>\$ 2,984,118</u>
Total Long-Term Indebtedness	\$30,565,654	\$32,621,850	\$30,193,739	\$33,291,219	\$33,613,486
Short-Term Indebtedness					
Revenue Anticipation Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant Anticipation Notes	0	0	0	0	0
Bond Anticipation Notes	<u>3,833,000</u>	<u>240,000</u>	<u>1,734,316</u>	<u>283,409</u>	<u>955,246</u>
Total Short-Term Indebtedness	\$ 3,833,000	\$ 240,000	\$ 1,734,316	\$ 283,409	\$ 955,246
Total Outstanding Indebtedness	<u>\$34,398,654</u>	<u>\$32,861,850</u>	<u>\$31,928,055</u>	<u>\$33,574,628</u>	<u>\$34,568,732</u>

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

Bonded Debt vs. Population, Valuations and Income

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Amount (1)	\$30,565,654	\$32,621,850	\$30,193,739	\$33,291,219	\$33,613,486
Per Capita (2)	\$2,007	\$2,149	\$1,989	\$2,245	\$2,322
Percent of Assessed Valuation (3)	1.01	1.15	1.15	1.30	1.34
Percent of Equalized Valuation (4)	1.02	1.21	1.12	1.40	1.41
Per Capita as a percent of					
Personal Income (2) per capita	3.86	4.13	3.82	4.32	4.46

(1) Outstanding principal on general obligation bonds. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and post-employment benefits liability.

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

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

(4) Source: Massachusetts Department of Revenue. The equalized valuation used here is the equalized valuation in effect for that fiscal year.

ANNUAL DEBT SERVICE (1)

Fiscal Year	Outstanding 03/11/20		Current Issue		Total Debt	Cumulative % Principal
	Principal (2)	Interest (2)	Principal (3)	Interest (4)	Service	Retired
2020	\$ 1,005,000	\$ 161,222	\$ 0	\$ 0	\$ 1,166,222	3.0%
2021	2,994,825	757,639	480,000	163,730	4,396,194	13.2
2022	2,815,179	671,514	480,000	160,875	4,127,568	22.9
2023	2,790,539	590,263	480,000	145,275	4,006,077	32.5
2024	2,590,906	515,411	480,000	129,675	3,715,992	41.6
2025	2,191,280	447,733	325,000	114,075	3,078,088	49.0
2026	1,946,663	390,679	165,000	103,512	2,605,854	55.2
2027	1,957,052	337,810	165,000	98,150	2,558,012	61.4
2028	1,822,450	290,153	165,000	92,788	2,370,390	67.3
2029	1,617,856	246,818	165,000	87,425	2,117,100	72.5
2030	1,507,367	207,866	165,000	82,062	1,962,296	77.4
2031	1,170,000	167,625	165,000	76,700	1,579,325	81.4
2032	1,025,000	132,988	165,000	71,338	1,394,325	84.9
2033	1,020,000	101,050	165,000	65,975	1,352,025	88.4
2034	845,000	69,594	165,000	60,612	1,140,206	91.3
2035	870,000	41,544	150,000	55,250	1,116,794	94.3
2036	125,000	11,719	125,000	50,375	312,094	95.1
2037	125,000	7,812	125,000	46,312	304,125	95.8
2038	125,000	3,906	125,000	42,250	296,156	96.5
2039	0	0	125,000	38,188	163,188	96.9
2040	0	0	115,000	34,125	149,125	97.2
2041	0	0	105,000	30,388	135,388	97.6
2042	0	0	105,000	26,975	131,975	97.9
2043	0	0	105,000	23,562	128,562	98.2
2044	0	0	105,000	20,150	125,150	98.5
2045	0	0	105,000	16,738	121,738	98.8
2046	0	0	105,000	13,325	118,325	99.1
2047	0	0	105,000	9,912	114,912	99.4
2048	0	0	100,000	6,500	106,500	99.7
2049	0	0	100,000	3,250	103,250	100.0%
Total	<u>\$28,544,120</u>	<u>\$5,153,346</u>	<u>\$5,430,000</u>	<u>\$1,869,492</u>	<u>\$40,996,957</u>	

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

(2) **Principal totaling \$15,823,673 and interest totaling \$3,286,432 has been exempted from the provisions of Proposition 2 ½. Principal totaling \$5,542,852 and interest totaling \$666,557 is self-supporting.**

(3) Preliminary; subject to change

(4) Interest for this current issue is estimated at 3.25%.

REVENUE ANTICIPATION BORROWING

The Town has not borrowed in anticipation of revenue in any of the last five fiscal years.

CONTRACTS

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter into long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse

disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

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

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

Cities and towns are authorized to lease (as lessee) off-street parking facilities, school buildings, hospital equipment, data process equipment, energy conservation equipment and educational equipment for periods ranging up to 10 years. They may also lease equipment, with option to purchase, for a period up to 10 years. Contracts may also be made for the installment purchase of energy conservation equipment over a period up to 10 years. Cities and towns may also lease various properties as lessor.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has the following long-term contracts of a material nature:

<u>Name</u>	<u>Nature of Service</u>	<u>Expires</u>	<u>Annual Cost</u>
Lynn Water and Sewer Commission	Sewage Treatment	9/30/2020	\$ 750,000
JRM Hauling & Recycling	Recycling, Recycling Disposal & Solid Waste Pickup	6/30/2021	1,250,000

OVERLAPPING DEBT (1)

	<u>Outstanding</u>	<u>Authorized Unissued</u>	<u>Assessments for Operations and Debt Service Fiscal Year 2020</u>
Essex North Shore Regional Technical School District (2)	\$28,335,000	\$0	\$344,206
Massachusetts Water Resources Authority (3)	\$4,986,012,000	-	2,161,811

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

(2) Source: Essex North Shore Regional Vocational Technical School District. The District authorized \$133,770,000 in borrowing to construct a new facility. To date, the District has issued \$31,355,000 state qualified general obligation bonds for this purpose. The Massachusetts School Building Authority has awarded the District a grant reimbursing 62 percent of approved project costs. Other members of the District are the Cities of Beverly, Gloucester, and Salem, and the Towns of Boxford, Danvers, Essex, Hamilton, Lynnfield, Manchester-by-the-Sea, Middleton, Nahant, Rockport, Topsfield, and Wenham. Debt is as of as of March 11, 2020.

(3) The Town receives water supply but not sewage disposal services from the Authority. Debt is total Authority debt (water and sewer) as of June 30, 2019. The Town pays its assessment to the Authority from water enterprise revenues.

RETIREMENT PLAN

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. The System has elected to retain a schedule that will extinguish the liability by June 30, 2031.

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

The Town has a contributory retirement system (the "System") that is partially funded by employee contributions. The annual contributions of the Town to the System for the current (budgeted) and most recent fiscal years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$5,478,937
2019	5,323,410
2018	5,324,024
2017	4,947,940
2016	4,655,413

As of January 1, 2019 (the most recent date available), the System's unfunded pension liability was approximately \$43,874,591, based on System assets of \$56,381,796 and actuarially accrued liability of \$100,256,387, based on a discount rate of 7.375%. The Town's share of the System's unfunded pension liability as of January 1, 2019 was \$43,291,057, of which \$2,347,288 was attributable to the Town's water and sewer utilities. A copy of the Valuation Report can currently be found at

<https://www.mass.gov/doc/swampscott-retirement-board-valuation-report-2019/download>

On the following page is the funding schedule for the System, including amortization of the unfunded pension liability, as extracted from the valuation report prepared by Stone Consulting, Inc.

Swampscott Contributory Retirement System Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Net 3(8)(c) Payments	(4) Amortization of Unfunded Liability	(5) Actuarially Determined Contribution (2) + (3) + (4)	(6) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in Appropriation Over Prior Year
2020	\$869,356	\$186,000	\$4,501,939	\$5,557,295	\$41,953,088	--
2021	898,592	186,000	4,472,703	5,557,295	40,213,171	0.00%
2022	928,805	186,000	4,594,780	5,709,585	38,376,328	2.74
2023	960,027	186,000	4,732,623	5,878,650	36,272,937	2.96
2024	992,291	186,000	4,874,602	6,052,893	33,866,412	2.96
2025	1,025,633	186,000	5,020,840	6,232,473	31,129,956	2.97
2026	1,060,087	186,000	5,171,465	6,417,552	28,034,663	2.97
2027	1,095,691	186,000	5,326,609	6,608,300	24,549,359	2.97
2028	1,132,484	186,000	5,486,407	6,804,891	20,640,428	2.97
2029	1,170,504	186,000	5,651,000	7,007,504	16,271,630	2.98
2030	1,209,792	186,000	5,820,529	7,216,321	11,403,901	2.98
2031	1,250,390	186,000	5,995,146	7,431,536	5,995,146	2.98
2032	1,292,343	186,000	0	1,478,343	0	80.11

Notes: Fiscal 2020 actuarially determined contribution set equal to budgeted amount.

Actuarially determined contributions are assumed to be paid on July 1.

Item (2) reflects 3.0% growth in payroll, as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvements due to the generational mortality assumption.

Item (4) increases at 3.0%.

Projected normal cost does not reflect the future impact of pension reform for future hires.

Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment losses.

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

OTHER POST-EMPLOYMENT BENEFITS

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

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

employees and retirees may establish a trust fund for the purpose of paying claims, and Massachusetts General Laws were recently amended to provide cities and towns with legal authority to establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits. On May 15, 2017, the Town voted to create an OPEB Trust Fund under Chapter 32B, Section 20, of the Massachusetts General Laws. The Town also voted to transfer \$1,517,772 into this fund. As of June 30, 2019, the balance in the fund was \$2,187,015.

GASB Statements No. 74 and 75 changed how the Town reports OPEB liabilities, beginning with the fiscal year ending June 30, 2018. Among other changes are the establishment of a total OPEB liability and other enhanced disclosures regarding OPEB.

The pay-as-you-go cost to the Town for such benefits in recent years has been as follows:

<u>Fiscal Year</u>	<u>Total</u>
2020 (budgeted)	\$2,000,000
2019	1,924,284
2018	1,937,699
2017	1,868,019
2016	1,884,275
2015	2,290,515

As of June 30, 2019, the total OPEB liability for other post-employment benefits was \$105,195,386, based on a discount rate of 3.91%. Total OPEB expense, as defined under GASB Statements No. 74 and 75, for fiscal 2019 totaled \$3,651,695.

PROPERTY TAXATION AND VALUATION

Tax Rate and Valuation - General. Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 35 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

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

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

VALUATIONS

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

	<u>2020</u>	<u>2019</u>	<u>2018(2)</u>	<u>2017</u>	<u>2016</u>
Real Property (1)	\$3,185,073	\$2,971,809	\$2,805,139	\$2,582,856	\$2,524,528
Personal Property (1)	<u>46,693</u>	<u>43,214</u>	<u>41,940</u>	<u>33,291</u>	<u>36,142</u>
Total	<u>\$3,231,766</u>	<u>\$3,015,023</u>	<u>\$2,847,080</u>	<u>\$2,616,147</u>	<u>\$2,560,670</u>
Equalized Value (3)	\$3,001,503	\$3,001,503	\$2,701,749	\$2,701,749	\$2,380,320
Percent of Total Assessed to Equalized Valuation	107.7	100.5	105.4	96.8	107.6

(1) As of January 1, 2020, 2019, 2018, 2017, and 2016 respectively.

(2) Revaluation year.

(3) Based on equalized valuation in effect for each year as determined biannually by the State Department of Revenue as of January 1 of even numbered years effective for the next two fiscal years.

The following table shows the breakdown of the total assessed valuation for fiscal years 2020, 2019 and 2018 by classification:

<u>Type of Property</u>	<u>For Fiscal Year (000)</u>					
	<u>2020</u>	<u>% of Total</u>	<u>2019</u>	<u>% of Total</u>	<u>2018</u>	<u>% of Total</u>
Residential	\$3,003,363	93.0	\$2,802,887	93.0	\$2,802,887	93.0
Open Space	0	0.0	0	0.0	0	0.0
Commercial	163,415	5.1	154,476	5.1	154,476	5.1
Industrial	17,089	0.5	14,446	0.5	14,446	0.5
Personal	<u>46,693</u>	<u>1.4</u>	<u>43,214</u>	<u>1.4</u>	<u>43,214</u>	<u>1.4</u>
Total	<u>\$3,230,560</u>	<u>100.0%</u>	<u>\$3,015,023</u>	<u>100.0%</u>	<u>\$3,015,023</u>	<u>100.0%</u>

Tax Rates

The following shows the actual tax rates per \$1,000 of assessed valuation, the average tax rate and the estimated full value rate based on the equalized valuation in effect for the current and most recent fiscal years:

<u>Type of Property</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Residential	\$14.30	\$15.20	\$16.00	\$17.45	\$17.33
Open Space	14.30	15.20	16.00	17.45	17.33
Commercial	25.85	27.45	28.83	32.20	32.07
Industrial	25.85	27.45	28.83	32.20	32.07
Personal	<u>25.68</u>	<u>27.29</u>	<u>28.68</u>	<u>32.20</u>	<u>32.07</u>
Average Tax Rate	<u>\$15.10</u>	<u>\$16.06</u>	<u>\$16.88</u>	<u>\$18.40</u>	<u>\$18.32</u>
Full Value Tax Rate	\$16.26	\$17.92	\$17.78	\$17.82	\$19.71

LARGEST TAXPAYERS (1)

The following shows the ten largest taxpayers for fiscal 2020:

<u>Name</u>	<u>Nature of Business / Property Use</u>	<u>Total Assessed Valuation for 2020</u>	<u>Amount of Tax (1)</u>	<u>Percent of Total Levy</u>
SCRS Vinnin Square LLC	Luxury Res. Apts.	\$ 56,759,400	\$ 811,659	1.66%
CC Swampscott Lot B5 Limited	Shopping Center	15,046,400	389,026	0.80
ARC Hr5ssma002 LLC	Shopping Center	14,441,100	373,302	0.76
Lynn Sand & Stone Co.	Quarry	13,568,069	322,775	0.66
Boston Gas Company	Gas Wires & Poles	12,086,390	310,379	0.64
Algonquin Gas Transmission LLC	Gas Wires & Poles	11,390,200	292,500	0.60
Botsini-Paradise Road LLC	Shopping Center	11,118,200	287,405	0.59
Ryan, LLC	Residential Apts.	19,911,300	284,732	0.58
Massachusetts Electric Company	Electric Wires & Poles	10,698,370	274,734	0.56
Equity One (Swampscott) LLC	Shopping Center	8,719,400	225,396	0.46
		<u>\$173,738,829</u>	<u>\$3,571,910</u>	<u>7.32%</u>

(1) All listed taxpayers are current on their real and personal property taxes.

TAX LEVIES

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

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

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

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

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

In the opinion of Bond Counsel, cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally

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

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

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

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

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

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

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculations of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. **The Town has voted to exclude the debt service on \$15,823,673 par amount of currently outstanding bonds from the limitations of Proposition 2 ½, subject to the provisions of Chapter 44, Section 20, of the General Laws**

It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay (i) costs of issuance and/or (ii) project costs.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a Town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA, and certain districts for which special legislation provides otherwise) to the sum of (a) 2.50 percent of the prior year's assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veteran districts may exceed these limitations

under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under the statute any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulation imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Pledged Taxes. Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes (see “Tax Increment Financing for Development Districts” herein).

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

CALCULATION OF TAX LEVIES AND LEVY LIMITS

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross Amount to be Raised:					
Appropriations	\$68,697	\$66,811	\$65,987	\$65,494	\$63,499
Other Local Expenditures	24	24	22	22	21
State & County Charges	1,003	857	653	600	580
Overlay Reserve	<u>4</u>	<u>27</u>	<u>324</u>	<u>276</u>	<u>282</u>
Total Gross Amount to be Raised	\$69,729	\$67,719	\$66,986	\$66,392	\$64,382
Less Estimated Receipts					
Estimated Receipts from State	5,915	5,205	4,895	4,752	4,492
Estimated Receipts - Local	12,477	11,591	10,622	10,996	10,572
Available Funds Appropriated:					
Free Cash	1,512	1,404	2,355	1,800	678
Other Available Funds	12	98	82	404	1,421
Free Cash & Other Revenue Used to Reduce the Tax Rate	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>300</u>	<u>300</u>
Total Estimated Receipts & Revenue	<u>20,916</u>	<u>19,298</u>	<u>18,954</u>	<u>18,252</u>	<u>17,463</u>
Net Amount to be Raised (Tax Levy)	<u>\$48,813</u>	<u>\$48,420</u>	<u>\$48,032</u>	<u>\$48,140</u>	<u>\$46,919</u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Primary Levy Limit (1)	\$80,794	\$75,376	\$71,177	\$65,404	\$64,017
Prior Fiscal Year Levy Limit	50,035	48,386	46,605	44,835	43,058
2.5% Levy Growth	1,251	1,210	1,165	1,121	1,076
New Growth (2)	380	439	616	649	700
Overrides	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Growth Levy Limit	51,665	50,035	48,386	46,605	44,835
Debt Exclusions	1,745	1,766	1,795	2,663	2,734
Capital Expenditure Exclusions	0	0	0	0	0
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Levy Limit	\$53,410	\$51,801	\$50,181	\$49,268	\$47,569
Tax Levy	<u>48,813</u>	<u>48,420</u>	<u>48,032</u>	<u>48,140</u>	<u>46,919</u>
Unused Levy Capacity (3)	<u>\$ 4,597</u>	<u>\$ 3,381</u>	<u>\$ 2,149</u>	<u>\$ 1,128</u>	<u>\$ 650</u>
Unused Primary Levy Capacity (4)	<u>\$31,981</u>	<u>\$25,341</u>	<u>\$23,145</u>	<u>\$18,799</u>	<u>\$19,182</u>

(1) 2.5% of assessed valuation.

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

(3) Tax Levy Limit less Tax Levy.

(4) Primary Levy Limit less Growth Levy Limit.

TAX COLLECTIONS AND ABATEMENTS

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

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

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

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

	For Fiscal Year (000)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Tax Levy	\$48,813	\$48,420	\$48,032	\$48,140	\$46,919
Overlay Reserve for Abatements	<u>5</u>	<u>27</u>	<u>324</u>	<u>276</u>	<u>282</u>
Net Tax Levy (1)	\$48,808	\$48,393	\$47,708	\$47,864	\$46,637
Amount Collected					
During Fiscal Year Payable (2)	\$33,207	\$47,818	\$47,608	\$47,562	\$46,457
Percent of Net Tax Levy	68.04%	98.81%	99.79%	99.37%	99.61%
Amount Collected Through 01/31/2020	\$33,207	\$48,089	\$47,594	\$48,054	\$46,717
Percent of Net Tax Levy	68.04%	99.37%	99.76%	100.40%	100.17%

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

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

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

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

The following shows the abatements granted during the fiscal year as well as through a more recent date for the most recent fiscal years:

	For Fiscal Year (000)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Levy	\$48,813	\$48,420	\$48,032	\$48,140	\$46,919
Overlay Reserve for Abatements	5	27	324	276	282
Percent of Tax Levy	0.01	0.06	0.67	0.57	0.60
Abatements Granted:					
During Fiscal Year of Levy	\$68	\$83	\$189	\$108	\$211
Through 01/31/2020	\$68	\$128	\$193	\$156	\$215

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

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

TAXES OUTSTANDING

	For Fiscal Year (000)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Aggregate (1)	\$15,826	\$485	\$198	\$305	\$508
For Current Year (1)	\$15,544	\$393	\$6	\$389	\$462
Tax Titles and Possessions	\$826	\$1,012	\$831	\$1,003	\$887

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

TOWN FINANCES

Budget and Appropriation Process

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

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

Water and sewer department expenditures are included in the budgets adopted by town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under legislation enacted in 1981 any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated. State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs and may affect the level of State aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In fiscal 1994 through budgeted 2019, the Town's net school spending exceeded the minimum required local contribution.

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

BUDGET COMPARISON

The following table sets forth the general governmental budgets for fiscal years 2016 through 2020:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
General Government	\$ 3,419,196	\$ 4,619,420	\$ 3,808,763	\$ 3,349,525	\$ 2,638,352
Public Safety	7,689,622	7,427,954	7,418,335	7,764,163	7,127,481
Education	30,727,204	29,383,816	28,527,252	28,962,800	26,756,000
Public Works	2,051,178	1,479,473	1,237,131	1,295,285	779,436
Human/Environmental Services (1)	1,788,531	1,803,618	1,698,180	1,389,053	1,554,205
Information and Recreation (2)	577,916	797,430	829,231	831,358	951,043
Debt & Interest on Debt	3,375,510	3,345,866	3,532,662	4,449,526	4,508,217
Retirement Fund	5,186,068	5,071,369	5,073,174	4,690,025	4,454,312
Unclassified	816,199	825,701	2,741,750	2,701,044	1,331,750
Reserve Fund	216,750	275,000	225,000	425,000	175,000
Employee Benefits	<u>6,367,813</u>	<u>6,005,000</u>	<u>5,550,000</u>	<u>5,250,000</u>	<u>5,650,000</u>
	<u>\$62,215,987</u>	<u>\$61,034,647</u>	<u>\$60,641,478</u>	<u>\$61,107,779</u>	<u>\$55,925,796</u>

(1) *Building Department, Wire Inspector, Conservation, Board of Health, Council on Aging, and Veterans.*

(2) *Library and Recreation.*

STATE AID

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

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

The following table sets forth the amount of state aid to the Town in recent years as well as the amount budgeted for 2020:

<u>Fiscal Year</u>	<u>State Aid</u>
2020 (budget)	\$5,915,314
2019	5,216,150
2018	4,894,569
2017	4,757,235
2016	4,530,139
2015	4,626,095

STATE SCHOOL BUILDING ASSISTANCE PROGRAM

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from

50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

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

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

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

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

MOTOR VEHICLE EXCISE

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

The following table shows the actual receipts from the motor vehicle excise in each of the most recent years and the amount budgeted for fiscal 2020:

<u>Fiscal Year</u>	<u>Excise Tax</u>
2020 (budgeted)	\$2,500,000
2019	2,544,838
2018	2,475,024
2017	2,393,170
2016	2,301,824
2015	2,181,705

ENTERPRISE FUNDS

The Town accounts for the financial operations of its water and sewer systems through enterprise funds. The Town's policy is to cover all costs of these systems through system revenues. Water usage is billed at \$6.94 per hundred cubic feet of metered water consumption. Sewer usage is billed at \$5.44 per hundred cubic feet of metered water consumption.

The following are water enterprise fund receipts for the five most recent fiscal years.

<u>Fiscal Year</u>	<u>Receipts</u>
2019	\$3,747,195
2018	3,587,878
2017	3,790,172
2016	3,462,643
2015	3,155,700

The following are sewer enterprise fund receipts for the five most recent fiscal years.

<u>Fiscal Year</u>	<u>Receipts</u>
2019	\$2,278,585
2018	2,252,801
2017	2,317,053
2016	2,398,070
2015	2,232,427

COMMUNITY PRESERVATION ACT

The Massachusetts Community Preservation Act (the "CPA"), enacted in September, 2000, permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAX" herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge on the real property tax levy. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge based on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 70% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

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

The Town has not accepted the Community Preservation Act.

OTHER TAXES

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

The local meals excise tax, effective for sales of restaurant meals on or after October 1, 2009, is a three-fourths percent tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The Town adopted local meals excise tax effective July 1, 2011.

The following are collections of meals excise tax for the most recent fiscal years:

<u>Fiscal Year</u>	<u>Collections</u>
2020 (budgeted)	\$275,000
2019	281,625
2018	250,990
2017	244,801
2016	201,087

TAX INCREMENT FINANCING FOR DEVELOPMENT DISTRICTS

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2½. The Town has not established any such districts.

UNASSIGNED GENERAL FUND BALANCE AND FREE CASH

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

The following shows the unassigned general fund balance and free cash for the most recent fiscal years:

<u>July 1,</u>	<u>Unassigned General Fund Balance (1)</u>	<u>Free Cash</u>
2019	\$5,441,911	\$4,430,176
2018	5,119,196	3,161,170
2017	5,069,580	4,038,376
2016	8,978,306	6,392,330
2015	5,927,998	5,105,677

(1) The Town's audited financial statements are prepared in compliance with GASB Statement No. 54. The Town's Stabilization Fund is included in Unassigned Fund Balance in the Town's audited financial statements.

STABILIZATION FUND

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

<u>June 30</u>	<u>Balance</u>
2019	\$5,905,117
2018	5,668,289
2017	3,529,485
2016	2,066,030
2015	1,804,187

CAPITAL STABILIZATION FUND

In addition to the regular Stabilization Fund, the Town established a Capital Stabilization Fund during fiscal year 2012. While this fund is targeted specifically for capital purposes, as with the regular Stabilization Fund, funds may be appropriated from the Fund for any municipal purpose by a two thirds vote of the town meeting. The following are balances as of the end of the most recent fiscal years:

<u>June 30</u>	<u>Balance</u>
2019	\$866,286
2018	609,980
2017	355,290
2016	403,661
2015	301,667

INVESTMENTS

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

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

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

COLLECTIVE BARGAINING

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

The Town has approximately 773 full and part-time employees, of which approximately 50.2% belong to unions or other collective bargaining groups as follows:

<u>Union</u>	<u>Department</u>	<u>Number of People</u>	<u>Contract Expires</u>
SEIU 888	Library	18	6/30/2021
AFSCME 2610	Town Clerical	6	6/30/2021
AFSCME 2610	DPW Laborers	16	6/30/2020
Fire Union	Fire Department	31	6/30/2021
Police Union	Police Department	30	6/30/2021
AFSCME 2610	School Custodians	14	6/30/2021
AFSCME 2610	School Clerical	14	6/30/2021
SEA Union	ESP	38	8/31/2021
SEA Union	School	<u>229</u>	8/31/2019 ⁽¹⁾
		<u>388</u>	

(1) The Town is in negotiations in connection with the SEA Teachers'/ESP Union.

PHYSICAL AND ECONOMIC CHARACTERISTICS

General

The Town is located approximately 12 miles northeast of downtown Boston. It is a seaside residential community with a land area of 3.05 square miles and a population of 13,787 (2010 census). Income and wealth in the Town ranges primarily from middle income to affluent. The Town borders the Atlantic Ocean on the east and south, the City of Salem and the Town of Marblehead on the north, and the City of Lynn on the west. The Town has convenient access to Logan International Airport and to the MBTA commuter rail, which has a station stop in the Town. The Town is served by state routes 1A and 129. Interstate 95, U.S. Route 1, and State Route 128 are also accessible. The opening of the Massachusetts Turnpike to Logan Airport in early 2003 has improved the Town's access to points west and south of Boston. The Town's economic base is primarily residential, with relatively small commercial and industrial sectors.

Principal Employers

Other than the Town itself, the following are the principal employers located in the Town:

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Current Employees</u>
Paradiso Ristorante	Restaurant	250-499
Whole Foods Market	Grocery Store	100-249
Bertucci's	Restaurant	50-99
Congregation Shirat Hayam	Synagogue	50-99
Gap	Retail Store	50-99
Hawthorne-By-The-Sea	Restaurant	50-99
Marshall's	Retail Store	50-99
Uno Pizzeria	Restaurant	50-99

Source: Infogroup, 2019.

Principal Industries (1)

<u>Employment by Industry</u>	<u>Calendar Year Average</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Construction & Natural Resources	211	219	224	219	230
Manufacturing	32	35	32	-0-	21
Trade, Transportation & Utilities	869	871	873	865	855
Financial Activities	125	132	138	122	119
Professional & Business Services	165	144	182	174	201
Education & Health Services	576	540	506	526	744
Leisure & Hospitality	639	586	563	494	431
Information & Other Services	210	230	230	225	204
Public Administration	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Employment	<u>3,318</u>	<u>3,287</u>	<u>3,223</u>	<u>3,112</u>	<u>3,388</u>
Number of Establishments	396	392	377	375	366
Total Annual Wage (000)	\$150,489	\$145,135	\$138,873	\$131,331	\$137,758
Average Weekly Wage	\$872	\$849	\$829	\$812	\$782

Source: Massachusetts Executive Office of Labor & Workforce Development.

(1) Total employment may differ from the sum of the given column; it includes information from firms for which employment figures are confidential.

Building Permits

<u>Calendar Year</u>	<u>Number</u>	<u>Estimated Value</u>
2020 (1)	55	\$10,097,152
2019	658	34,821,307
2018	647	21,560,082
2017	542	33,416,162
2016 (2)	578	20,857,512
2015 (3)	642	31,330,103

(1) To February 3, 2020

(2) In August 2016, a permit was issued for a new 18 unit residential development valued at \$3,000,000.

(3) Includes remodeling of a Walgreens at \$1,100,000, a new assisted living facility at \$11,868,526, and a three-unit condo at \$1,000,000.

OTHER DATA

Unemployment (1)

<u>Calendar Year (2)</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment Rate</u>			
			<u>Town</u>	<u>County</u>	<u>State</u>	<u>US</u>
2019 (December)	9,008	8,847	1.8	2.4	2.4	3.4
2018	8,897	8,664	2.6	3.4	3.3	3.9
2017	8,694	8,424	3.1	3.8	3.8	4.4
2016	8,441	8,175	3.2	4.0	3.9	4.9
2015	8,200	7,892	3.8	5.0	4.8	5.3

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

(2) Full year averages except for 2019 which is for the month indicated.

Population (1)

<u>Year</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
2018 estimate	15,227	10.4	790,638	6.4	6,902,149	5.4
2010	13,787	(4.3)	743,159	2.7	6,547,629	3.1
2000	14,412	5.6	723,419	8.0	6,349,097	5.5
1990	13,650	(1.4)	670,080	5.8	6,016,425	4.9
1980	13,837	0.0	633,632	0.0	5,737,037	0.0

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

Population Density (1)

<u>Year</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>	<u>Number</u>	<u>Density</u>
2018 estimate	15,227	4,994.1	790,638	1,587.4	6,902,149	880.6
2010	13,787	4,521.8	743,159	1,492.1	6,547,629	835.4
2000	14,412	4,726.8	723,419	1,452.4	6,349,097	810.0
1990	13,650	4,476.9	670,080	1,345.4	6,016,425	767.6
1980	13,837	4,538.2	633,632	1,272.2	5,737,037	732.0

(1) Source: U.S. Department of Commerce for actuals and estimates. Based on 3.0 square miles

Population Composition By Age (1)

<u>Age</u>	Swampscott		Essex County		Massachusetts	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5 Years	1,042	7.1	44,112	5.6	362,681	5.3
5 Years to 19 Years	2,604	17.6	146,188	18.7	1,226,228	18.0
20 Years to 64 Years	8,319	56.4	463,387	59.3	4,163,060	61.0
65 Years and Over	<u>2,790</u>	<u>18.9</u>	<u>127,337</u>	<u>16.3</u>	<u>1,078,224</u>	<u>15.8</u>
Total	<u>14,755</u>	<u>100.0</u>	<u>781,024</u>	<u>100.0</u>	<u>6,830,193</u>	<u>100.0</u>
Median Age	44.3		40.8		39.4	
Median Age (2000)	41.5		37.5		36.5	

(1) Source: U.S. Department of Commerce. 2018 5-year estimates".

Per Capita Income Levels (1)

<u>Year</u>	Swampscott		Essex County		Massachusetts	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2018 5-year estimates	\$57,974	4.3	\$40,697	0.0	\$41,794	25.9
2009	55,578	56.6	-0-	0.0	33,203	27.9
1999	35,487	38.8	26,358	49.9	25,952	50.7
1989	25,576	146.7	17,586	129.2	17,224	131.0
% Below Poverty Level (2018 5-year estimates)	3		10.7		10.8	

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

Family Income Distribution (1)

<u>Income for Families</u>	Swampscott		Essex County		Massachusetts	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
Less than \$10,000	30	0.8	6,530	3.3	53,279	3.2
10,000 - 24,999	129	3.4	13,919	7.1	111,203	6.7
25,000 - 49,999	276	7.2	28,107	14.4	230,707	14.0
50,000 - 74,999	396	10.3	27,932	14.3	229,597	13.9
75,000 - 99,999	365	9.5	24,947	12.8	211,355	12.8
100,000 - 149,999	881	23.0	38,870	19.9	347,464	21.0
150,000 or more	<u>1,755</u>	<u>45.8</u>	<u>55,258</u>	<u>28.3</u>	<u>468,203</u>	<u>28.3</u>
Total	<u>3,832</u>	<u>100.0</u>	<u>195,563</u>	<u>100.0</u>	<u>1,651,808</u>	<u>100.0</u>
Median Income	\$144,649		\$96,306		\$98,625	

(1) Source: U.S. Department of Commerce. 2018 5-year estimates.

Household Income Distribution (1)

<u>Income for Households</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>	<u>Households</u>	<u>Percent</u>
Less than \$10,000	128	2.3	15,634	5.3	141,665	5.4
10,000 - 24,999	494	9.0	35,989	12.3	313,101	12.0
25,000 - 49,999	588	10.7	49,426	16.9	432,495	16.6
50,000 - 74,999	623	11.3	43,973	15.0	382,288	14.7
75,000 - 99,999	518	9.4	35,281	12.1	311,620	12.0
100,000 - 149,999	1,136	20.7	49,355	16.9	461,850	17.8
150,000 or more	<u>2,008</u>	<u>36.5</u>	<u>63,001</u>	<u>21.5</u>	<u>558,895</u>	<u>21.5</u>
Total	<u>5,495</u>	<u>100.0</u>	<u>292,659</u>	<u>100.0</u>	<u>2,601,914</u>	<u>100.0</u>
Median Income	\$113,422		\$75,878		\$77,378	

(1) Source: U.S. Department of Commerce. 2018 5-year estimates.

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

<u>Units</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$100,000	113	2.6	5,011	2.7	54,909	3.4
100,000 - 199,999	181	4.2	12,362	6.6	189,404	11.7
200,000 - 299,999	621	14.3	33,823	18.0	337,647	20.8
300,000 - 499,999	1,621	37.4	78,858	42.0	577,836	35.6
500,000 - 999,999	1,562	36.0	50,634	27.0	375,842	23.2
1,000,000 or more	<u>237</u>	<u>5.5</u>	<u>6,861</u>	<u>3.7</u>	<u>85,415</u>	<u>5.3</u>
Total	<u>4,335</u>	<u>100.0</u>	<u>187,549</u>	<u>100.0</u>	<u>1,621,053</u>	<u>100.0</u>
Median Value	\$455,400		\$389,900		\$366,800	

(1) Source: U.S. Department of Commerce. 2018 5-year estimates.

Age Distribution Of Housing Units (1)

<u>Year Built</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
2000 or later	187	3.2	26,319	8.4	279,855	9.7
1980 to 1999	548	9.4	55,771	17.9	533,731	18.5
1940 to 1979	2,132	36.4	110,919	35.5	1,116,115	38.7
1939 or Earlier	<u>2,986</u>	<u>51.0</u>	<u>119,004</u>	<u>38.1</u>	<u>953,038</u>	<u>33.1</u>
Total	<u>5,853</u>	<u>100.0</u>	<u>312,013</u>	<u>100.0</u>	<u>2,882,739</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce. 2018 5-year estimates.

Housing Unit Inventory (1)

<u>Units in Structure</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1, Detached	3,439	58.8	159,754	51.2	1,501,300	52.1
1, Attached	319	5.5	20,283	6.5	154,655	5.4
2 to 4	1,248	21.3	68,023	21.8	596,088	20.7
5 to 9	176	3.0	16,439	5.3	167,997	5.8
10 to 19	18	0.3	13,527	4.3	124,484	4.3
20 or More	599	10.2	31,785	10.2	313,788	10.9
Mobile Home, Trailer, Other	54	0.9	2,202	0.7	24,427	0.8
Total	<u>5,853</u>	<u>100.0</u>	<u>312,013</u>	<u>100.0</u>	<u>2,882,739</u>	<u>100.0</u>

(1) Source: U.S. Department of Commerce. 2018 5-year estimates.

Educational Attainment (1)

<u>Years of School Completed</u>	<u>Swampscott</u>		<u>Essex County</u>		<u>Massachusetts</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th Grade	145	1.4	30,570	5.7	214,205	4.5
9th to 12th Grade, No Diploma	173	1.7	27,358	5.1	240,155	5.1
High School Graduate	1,866	18.0	135,741	25.2	1,150,846	24.2
Some College, No Degree	1,579	15.2	89,103	16.5	740,784	15.6
Associate's Degree	732	7.1	44,103	8.2	365,103	7.7
Bachelor's Degree	3,136	30.2	126,601	23.5	1,128,877	23.8
Graduate or Professional Degree	2,738	26.4	85,505	15.9	908,825	19.1
Total	<u>10,369</u>	<u>100.0</u>	<u>538,981</u>	<u>100.0</u>	<u>4,748,795</u>	<u>100.0</u>
High School Graduate or Higher	10,051	96.9	481,053	89.3	4,294,435	90.4
Bachelor's Degree or Higher	5,874	56.6	212,106	39.4	2,037,702	42.9

(1) Source: U.S. Department of Commerce. 2018 5-year estimates

LITIGATION

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

TOWN OF SWAMPSCOTT
Massachusetts

By: /s/ M. Ronald Mendes
Assistant Town Administrator/
Treasurer

Dated: February 19, 2020

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APPENDIX A

The General Fund Balance Sheets for June 30, 2015 through June 30, 2019 and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years June 30, 2015 through 2019 are extracted from the audit reports of CliftonLarsonAllen LLP. Audited financial statements for fiscal year 2019 are presented in Appendix B.

**TOWN OF SWAMPSCOTT
MASSACHUSETTS
BALANCE SHEET (1)
GENERAL FUND
June 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$16,144,286	\$15,749,865	\$14,813,334	\$13,954,697	\$11,164,457
Real Estate and Personal Property	537,183	263,560	521,871	524,372	702,957
Tax Liens	909,007	722,388	1,050,492	846,984	1,357,721
Motor Vehicle and Other Excise	260,113	237,462	180,512	136,521	124,379
Departmental and Other	21,740	22,495	20,785	72,745	43,845
Intergovernmental	0	0	0	0	0
Restricted Assets:					
Cash and Cash Equivalents	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,259,577</u>	<u>1,002,965</u>
Total Assets	<u>\$17,872,329</u>	<u>\$16,995,770</u>	<u>\$16,586,994</u>	<u>\$16,794,896</u>	<u>\$14,396,324</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Warrants Payable	\$ 475,342	\$ 294,245	\$ 300,446	\$ 556,513	\$ 455,980
Accrued Payroll	2,014,267	1,622,714	1,526,481	1,412,424	1,251,774
Tax Refunds Payable	939,062	260,000	131,700	20,900	187,718
Other Liabilities	233,476	232,670	372,952	222,572	242,711
Claims and Judgements	0	0	0	0	340,000
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 3,662,147</u>	<u>\$ 2,409,629</u>	<u>\$ 2,331,579</u>	<u>\$ 2,212,409</u>	<u>\$ 2,478,183</u>
Deferred Inflows of Resources:					
Unavailable Revenue	1,597,650	1,162,220	1,717,122	1,498,645	0
Taxes Collected in Advance	<u>13,117</u>	<u>20,757</u>	<u>142,016</u>	<u>49,262</u>	<u>115,501</u>
Total Deferred Inflows of Resources	<u>1,610,767</u>	<u>1,182,977</u>	<u>1,859,138</u>	<u>1,547,907</u>	<u>2,219,022</u>
Fund Balances:					
Restricted	0	0	0	1,259,577	1,002,965
Committed	1,832,496	3,014,056	3,746,938	2,503,662	1,075,389
Assigned	603,860	402,650	269,424	293,035	501,370
Unassigned	<u>10,163,059</u>	<u>9,986,458</u>	<u>8,379,915</u>	<u>8,978,306</u>	<u>7,119,395</u>
Total Fund Balances	<u>\$12,599,415</u>	<u>\$13,403,164</u>	<u>\$12,396,277</u>	<u>\$13,034,580</u>	<u>\$ 9,699,119</u>
Total Liabilities and Fund Balances	<u>\$17,872,329</u>	<u>\$16,995,770</u>	<u>\$16,586,994</u>	<u>\$16,794,896</u>	<u>\$14,396,324</u>

(1) For fiscal years 2015 to 2019, inclusive, excerpts taken from the Town's financial statements audited by CliftonLarsonAllen LLP.

**TOWN OF SWAMPSCOTT
MASSACHUSETTS
Combined Statements of Revenues, Expenditures and changes in Fund Balances (1)
June 30,**

Revenues:	2019	2018	2017	2016	2015
Real Estate and Property Taxes	\$47,184,049	\$47,857,992	\$47,763,141	\$ 46,786,395	\$ 45,781,280
Motor Vehicle Excise	2,830,263	2,731,099	2,642,922	2,508,013	2,397,278
Tax Liens	129,236	314,831	162,699	786,246	273,067
Intergovernmental	11,717,448	11,628,034	11,128,945	8,858,841	7,483,900
Penalties & Interest on Taxes	187,088	171,992	174,207	551,259	352,655
Licenses and Permits	790,054	496,062	426,919	729,778	464,636
Fines & Forfeitures	78,646	79,558	81,001	74,405	91,145
Departmental and Other Charges	2,287,760	2,231,340	2,235,862	1,870,092	2,085,192
Interest	578,035	0	141,797	76,818	52,698
Contributions	0	0	500	0	0
Payments in Lieu of Taxes	0	0	0	0	0
Total Revenues	<u>\$65,782,579</u>	<u>\$65,726,358</u>	<u>\$64,757,993</u>	<u>\$62,241,847</u>	<u>\$58,981,851</u>
Expenditures:					
General Government	\$ 2,906,325	\$ 2,534,543	\$ 2,863,252	\$ 2,260,341	\$ 2,119,708
Public Safety	8,005,304	7,783,323	7,798,388	7,483,877	7,351,337
Education	29,615,287	28,633,393	27,896,247	26,791,201	26,063,746
Public Works	2,746,506	2,659,804	2,301,129	1,251,912	1,570,484
Human Services	324,182	302,083	352,677	1,246,573	1,290,473
Cultural and Recreation	760,649	791,932	769,104	745,407	772,895
Pensions	11,404,836	11,491,175	10,835,360	8,620,863	7,224,499
Employee Benefits	6,357,004	6,420,181	7,496,742	5,757,918	5,403,206
Property and Liability Insurance	448,888	586,098	558,831	561,363	501,951
Debt Service	3,309,742	3,226,871	4,256,945	4,255,955	17,714,615
State and County Assessments	874,031	825,701	683,482	662,917	560,469
Other	0	0	0	0	340,000
Total Expenditures	<u>\$66,752,754</u>	<u>\$65,255,104</u>	<u>\$65,812,157</u>	<u>\$59,638,327</u>	<u>\$70,913,383</u>
Excess of Revenues Over (under) Expenditures	\$ (970,175)	\$ 471,254	\$ (1,054,164)	\$ 2,603,520	\$ (11,931,532)
Other Financing Sources (Uses):					
Premium from Issuance of Bonds	0	0	0	139,048	109,220
Proceeds of Refunding Bonds	0	0	0	0	13,128,556
Proceeds from Capital Leases	0	0	0	0	0
Premium from Issuance of Refunding Bonds	0	0	0	0	257,607
Operating Transfers - In	822,407	813,115	821,431	1,160,000	820,000
Operating Transfers - Out	(655,981)	(277,482)	(405,570)	(567,107)	(48,676)
Total Other Financing Sources (Uses)	<u>166,426</u>	<u>535,633</u>	<u>415,861</u>	<u>731,941</u>	<u>14,266,707</u>
Net Change in Fund Balances	(803,749)	1,006,887	(638,303)	3,335,461	2,335,175
Beginning Fund Equity (deficit)	<u>\$13,403,164</u>	<u>\$12,396,277</u>	<u>\$13,034,580</u>	<u>\$ 9,699,119</u>	<u>\$ 7,363,944</u>
Ending Fund Equity (deficit)	<u>\$12,599,415</u>	<u>\$13,403,164</u>	<u>\$12,396,277</u>	<u>\$13,034,580</u>	<u>\$ 9,699,119</u>

(1) For fiscal years 2015 to 2019, inclusive, excerpts taken from the Town's financial statements audited by CliftonLarsonAllen LLP.

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APPENDIX B

There follows in this Appendix audited financial statements for the fiscal year ended June 30, 2019 together with the report of the certified public accountants, CliftonLarsonAllen LLP.

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

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TOWN OF 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**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Selectmen
Town of Swampscott, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Swampscott, Massachusetts, as of and for the year ended June 30, 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><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>

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	65,782,579	-	5,916,743	71,699,322
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	66,752,754	2,291,836	5,745,317	74,789,907
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(970,175)	(2,291,836)	171,426	(3,090,585)
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)	166,426	531,147	124,834	822,407
NET CHANGE IN FUND BALANCES	(803,749)	(1,760,689)	296,260	(2,268,178)
Fund Balances - Beginning of Year	13,403,164	1,468,148	2,683,399	17,554,711
FUND BALANCES - END OF YEAR	\$ 12,599,415	\$ (292,541)	\$ 2,979,659	\$ 15,286,533

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)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	2,840,434
Depreciation	(2,801,911)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.</p>	
	(167,909)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond Maturities	2,495,866
Amortization of Bond Premiums	47,347
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(48,150)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Workers' Compensation	27,645
Compensated Absences	(28,310)
Net OPEB Liability	(1,526,489)
Net Pension Liability	(2,477,316)
<p>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.</p>	
	1,065,898
<p>In the statement of activities, deferred outflows and inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows and inflows related to pensions.</p>	
	2,342,153
<p>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.</p>	
	(21,679)
Changes in Net Position of Governmental Activities	<u>\$ (520,599)</u>

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)

See accompanying Notes to Financial Statements.

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 Activities	Business- Type Activities	Water Enterprise Fund	Sewer Enterprise 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	<u>13,974,714</u>	<u>\$ 10,719,506</u>	<u>\$ 2,927,898</u>	<u>\$ 327,310</u>
<u>Other Investments:</u>				
Equity Securities	<u>1,717,461</u>			
Total Investments	<u>\$ 15,692,175</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 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	\$ 2,187,015			

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
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%	\$ -	\$2,216,000	\$ -	\$2,216,000

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	<u>335</u>
Total	<u><u>879</u></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
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Commercial Indemnity Plan	9.50% decreasing to an ultimate level of 5.0% by 2045
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Medicare Managed Care Plan	8.25% decreasing to an ultimate level of 5.0% by 2023
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Medicare Indemnity Plan	8.50% decreasing to an ultimate level of 5.0% by 2036
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Mortality Rates:

Actives	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Employees projected using generational mortality and
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Retirees	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational
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Disabled	The RP-2014 Mortality Tables adjusted to 2006, sex-distinct, for Healthy Annuitants projected using generational
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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	\$ <u>105,195,386</u>	\$ <u>2,187,015</u>	\$ <u>103,008,371</u>

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	<u>100.0%</u>	

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	<u>\$12,599,415</u>	<u>\$ (292,541)</u>	<u>\$ 2,979,659</u>	<u>\$ 15,286,533</u>

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 Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
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.

**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

**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

**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.

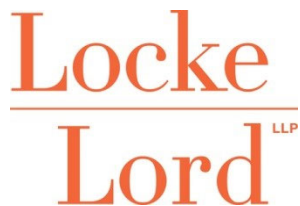
TOWN OF SWAMPSCOTT, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
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>

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(Date of Delivery)

M. Ronald Mendes, Treasurer
Town of Swampscott
Swampscott, Massachusetts

\$5,430,000*
Town of Swampscott, Massachusetts
General Obligation Municipal Purpose Loan of 2020 Bonds
Dated March 11, 2020

We have acted as bond counsel to the Town of Swampscott, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to

* Preliminary, subject to change.

comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Swampscott, Massachusetts (the “Issuer”) in connection with the issuance of its \$5,430,000* General Obligation Municipal Purpose Loan of 2020 Bonds dated March 11, 2020 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

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

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

* Preliminary, subject to change.

Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated February 26, 2020 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†

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

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

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: March 11, 2020

TOWN OF SWAMPSCOTT,
MASSACHUSETTS

By: _____
Treasurer

Selectmen

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