

FINAL OFFICIAL STATEMENT DATED DECEMBER 5, 2017

TOWN OF HARWICH, MASSACHUSETTS

**\$10,750,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES,
UNLIMITED TAX**

Dated
December 15, 2017

Due
July 13, 2018

<u>Number</u>	<u>Award</u>	<u>Coupon Rate</u>	<u>Yield</u>	<u>CUSIP Number</u>
1	\$ 10,750,000	2.00%	1.28%	417884 VK6

Jefferies

Purchaser

The provisions of the accompanying PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED NOVEMBER 28, 2017 supplemented and modified hereby, are incorporated in and made part of this Final Official Statement.

FirstSouthwest, a Division of Hilltop Securities Inc.

Financial Advisor

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED NOVEMBER 28, 2017

S&P Global Ratings: SP-1+

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

**TOWN OF HARWICH, MASSACHUSETTS
\$10,750,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
UNLIMITED TAX**

The Town of Harwich, Massachusetts (the "Town"), will receive telephone and electronic bids at FirstSouthwest, a Division of Hilltop Securities Inc. (617-619-4400) in the case of telephone bids and via PARITY in the case of electronic bids until 11:00 a.m., eastern time, Tuesday, December 5, 2017 for the purchase of the following described General Obligation Bond Anticipation Notes (the "Notes").

\$10,750,000 General Obligation Bond Anticipation Notes (new money). The Notes will be dated December 15, 2017 and will be payable July 13, 2018. Interest will be computed on a 30 day month/360 day year basis (208/360).

Bids may be submitted electronically via PARITY pursuant to this Notice of Sale until 11:00 a.m., eastern time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact FirstSouthwest, a Division of Hilltop Securities Inc. (617) 619-4400 or PARITY at (212) 404-8102.

The Notes will be issued by means of a book-entry system, evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to rules and procedures adopted by DTC (see "Book-Entry Transfer System"), unless the issuance of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. Principal and interest will be payable upon maturity in federal reserve funds at U.S. Bank National Association, Boston, Massachusetts.

Bids may be for all or part of the Notes at a single or various rates of interest in a multiple of one-hundredth (1/100) of one percent (1%). **No coupon greater than 2.50% will be accepted. A premium of at least \$2.00 must be included for each \$1,000 bid.** 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 bid. The Notes will be awarded on the basis of lowest net interest cost to the Town after deduction of premium, if any. Such cost will be determined by computing the total amount of interest payable on the Notes, at the rate or rates stated, from December 15, 2017 until the maturity of the Notes and deducting therefrom the sum, if any, by which the amount bid for the Notes exceeds the aggregate principal amount of the Notes. In the event a bidder offering a premium for the Notes is awarded a lesser amount of Notes than bid, the premium shall be reduced proportionately.

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

Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to FirstSouthwest, a Division of Hilltop Securities Inc. by not later than 12:00 Noon, eastern time, on the date of sale.

The award of the Notes 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.

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

It shall be the condition of the successful bidder's obligation to accept delivery of and pay for the Notes that, contemporaneously with or before accepting the Notes and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, as Bond Counsel to the Town, with respect to the Notes, (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, to the effect that there is no litigation pending, or to the knowledge of the signer or signers thereof, threatened affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them, and (c) a certificate of the Town's Treasurer to the effect that, to the best of her knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of such Notes referred to below, do not contain any untrue statement of a material fact and do 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.

The successful bidder shall assist the Town in establishing the issue price of the Notes 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 price to the public or the actual sale price of the Notes, 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 Notes may be taken on behalf of the Town by FirstSouthwest, a Division of Hilltop Securities Inc. ("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 Notes) 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 Notes who have established industry reputations for underwriting new issuances of municipal Notes; and
4. the Town awarded the sale of the Notes to the bidder who submitted a firm offer to purchase the Notes 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 Notes, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email or facsimile, or in its bid submitted via Parity, that it will NOT be an "underwriter" (as defined below) of the Notes, 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 Notes, in submitting a bid, each bidder is deemed to acknowledge that it is an "underwriter" that intends to reoffer the Notes 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 Notes to the Public. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Notes to the public, the Town will use the first price at which 10% of the Notes (the "10% test") is sold to the public as the issue price of the Notes. The successful bidder shall advise the Financial Advisor if the 10% test is satisfied as of the date and time of the award of the Notes. 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 as the issue price of the Notes 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 Notes or all of the Notes are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Notes 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 the Notes or until all the Notes have been sold. The successful bidder shall be obligated to report each sale of Notes 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 Notes 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 Notes allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Notes or all of the Notes 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 Notes 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 Notes 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 Notes 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 Notes or that all of the Notes 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 Notes 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 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 Notes 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 Notes 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 Notes to the public), and
3. a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 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 Notes to the Public and Agrees to Hold the Price of Maturities of Notes 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. eastern time on the Sale Date, that it has not sold 10% of the maturities of the Notes 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 Town on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Notes, 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 Notes to the Public – Option C. If the successful bidder has purchased the Notes for its own account and will not distribute or resell the Notes 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 Notes was made.

The purchaser(s) of the Notes will be furnished, without cost, the opinion of Locke Lord LLP, Boston, Massachusetts, approving the legality of the Notes. The opinion will also indicate that the Notes and the enforceability thereof may be subject to bankruptcy and other laws affecting creditor's rights and that their enforceability may also be subject to the exercise of judicial discretion in appropriate cases. Payment of the principal of and interest on the Notes is not limited to a particular fund or source of revenue nor is any lien or pledge for such payment created with respect to any such fund or source. The Notes will be valid general obligations of the Town and, except to the extent they are paid from the bond proceeds in anticipation of which they are issued or from other sources, the principal of and interest on the Notes will be payable from taxes that may be levied upon all the property within the territorial limits of the Town without limitation as to rate or amount, except as provided under Chapter 44, Section 20 of the General Laws.

It is anticipated that CUSIP identification numbers will be printed on the Notes. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

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

Additional information concerning the Town and the Notes is contained in the Preliminary Official Statement dated November 28, 2017 to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes and is not a part of this Notice of Sale. The Preliminary Official Statement has been deemed final by the Town except for the omission of the reoffering prices, interest rates, and other terms of the Notes depending on such matters, and the identity of the underwriters, but is subject to change without notice and to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from FirstSouthwest, a Division of Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts, 02114 telephone (617-619-4400). Within seven (7) business days following the award of the Notes and receipt of necessary information from the successful bidder(s), five (5) copies of the Final Official Statement will be made available to the successful bidder. Upon request, additional copies will be provided at the expense of the requester.

The Notes, in definitive form, will be delivered to DTC or the office of its custodial agent, or to the registered owner if a fully registered certificate or certificates is requested by the winning bidder and approved by the Town, on or about December 15, 2017 for credit to the Town in federal reserve funds.

TOWN OF HARWICH, MASSACHUSETTS
/s/ Ms. Amy Bullock, Treasurer

November 28, 2017

EXHIBIT 1
[Use if Competitive Sale Requirements Are Met]
\$10,750,000
Town of Harwich, Massachusetts
General Obligation Bond Anticipation Notes dated December 15, 2017

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes") of the Town of Harwich, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Notes 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 Notes used by the Successful Bidder in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Notes.
- (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 Notes.

2. Defined Terms.

- (a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes 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 the Notes. The Sale Date of the Notes is December 5, 2017.
- (d) *Successful Bidder* 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 Notes 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 Notes 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 Notes to the Public).

The representations set forth in this certificate are 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 Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes 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 Notes.

3. Receipt.

The Successful Bidder hereby acknowledges receipt from the Issuer of the Notes 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 Notes, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

Dated: December __, 2017

[SUCCESSFUL BIDDER]

By: _____

Name:

Title:

SCHEDULE A
EXPECTED OFFERING PRICES
(To Be Attached)

SCHEDULE B
COPY OF SUCESSFUL BIDDER'S BID
(To Be Attached)

EXHIBIT 1 – OPTION A

[Use If the Competitive Sale Requirements Are Not Met and the Hold the Price Rule Is Not Imposed]

**Town of Harwich, Massachusetts
\$10,750,000 General Obligation Bond Anticipation Notes dated December 15, 2017**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. Sale of the Notes. As of the date of this certificate, [except as set forth in paragraph 2 below,] [the first price at which at least 10% of the Notes was sold to the Public is ____%][all of the Notes were sold at the prices set forth in Exhibit A hereto].

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

2. Until the 10% test has been satisfied for the Notes or all of the Notes are sold to the Public, the Successful Bidder agrees to promptly report to the Issuer's financial advisor, FirstSouthwest, a Division of Hilltop Securities Inc. (the "Financial Advisor"), the prices at which the Notes have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for the Notes or until all the Notes have been sold. The Successful Bidder shall continue to report each sale of Notes to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.
3. Defined Terms.
 - (a) Issuer means the Town of Harwich, Massachusetts.
 - (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, 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 Notes 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 Notes 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 Notes to the Public).

The representations set forth in this certificate are 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 Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Notes 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 Notes.

The Successful Bidder hereby acknowledges receipt from the Issuer of the Notes 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 Notes, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

Dated: December __, 2017

[SUCCESSFUL BIDDER]

By: _____

Name:

Title:

[EXHIBIT A: If less than 10% of the Notes have been sold at a single price as of the Closing Date, but all of the Notes have been sold as of the Closing Date at a variety of prices, attach a list of the prices at which the Notes were sold as of the Closing Date. In that scenario, the issue price of the Notes will be the average sales price.]

EXHIBIT 1-OPTION B

[Use If the Competitive Sale Requirements Are Not Met and the Hold the Price Rule Is Imposed]

Town of Harwich, Massachusetts
\$10,750,000 General Obligation Bond Anticipation Notes dated December 15, 2017

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of [NAME OF [SUCCESSFUL BIDDER][REPRESENTATIVE]] (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 “Notes”).

A. Issue Price.

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the Offering-Price Maturities.***

- (a) The [Successful Bidder][Representative] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date, which correspond to the yields shown on Schedule A and on the cover of the Official Statement relating to the Notes dated the Sale Date. A copy of the pricing wire or equivalent communication for the Notes is attached to this certificate as Schedule B.
- (b) The [Successful Bidder][Representative] agrees that (i) for each Maturity of the Hold-the-Offering-Price Maturities it will neither offer nor sell any of the unsold Notes of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any unsold Notes of a Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Notes during the Holding Period.

3. ***Defined Terms.***

- (a) *General Rule Maturities* means those Maturities of the Notes listed in Schedule A hereto as the “General Rule Maturities.”
- (b) *Hold-the-Offering-Price Maturities* means those Maturities of the Notes listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
- (c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
- (d) *Issuer* means the Town of Harwich, Massachusetts.
- (e) *Maturity* means Notes with the same credit and prepayment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

- (f) *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.
- (g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is December 5, 2017.
- (h) *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 Notes 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 Notes 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 Notes to the Public).

B. Reliance.

The representations set forth in this certificate are limited to factual matters only. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. 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 dated December 15, 2017 relating to the Notes, to which this certificate is attached as an exhibit, and with respect to compliance with the federal income tax rules affecting the Notes, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038 and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

C. Receipt.

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

Dated: December __, 2017

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: _____

Name:

Title:

SCHEDULE A

**SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(TO BE ATTACHED)**

SCHEDULE B

**PRICING WIRE OR EQUIVALENT COMMUNICATION
(TO BE ATTACHED)**

**OFFICIAL STATEMENT
TOWN OF HARWICH, MASSACHUSETTS
\$10,750,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
UNLIMITED TAX**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Harwich, Massachusetts (the "Town") in connection with the sale of \$10,750,000 principal amount of its General Obligation Bond Anticipation Notes (the "Notes"). The information contained herein has been furnished by the Town except information attributed to another governmental agency or official as the source.

Description of the Notes

The Notes will be dated December 15, 2017 and will be payable by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent, on July 13, 2018. The Notes will bear interest payable at maturity, calculated on a 30 day-month/360 day-year basis (208/360), at the rate or rates determined upon their sale in accordance with the Notice of Sale dated November 28, 2017. The Notes will be issued by means of a book-entry system evidencing ownership of the Notes in principal amounts of \$1,000, or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company (DTC) and its participants pursuant to the rules and procedures adopted by DTC, unless the delivery of a fully registered note certificate is requested by the winning bidder and the issuance of such certificate is approved by the Town. See "Book-Entry Transfer System" herein.

Authorization of the Notes and Use of Proceeds

The following sets forth the principal amounts, purposes, statutory references and dates of approval for the current offering of Bond Anticipation Notes:

This Issue	Purpose	Original Bond Authorization	Statutory Reference	Dates of Approval	Article No.
\$ 6,000,000	Saquatucket Municipal Marina Improvements	\$ 7,000,000 (1)	Ch. 44, s. 8	5/2/2016	16
300,000	Sewer Interconnection & Planning	9,035,000 (2)	Ch. 44, s. 7(1) & 7(7)	5/1/2017	11
35,000	Cold Brook Wastewater Project	2,000,000 (2)	Ch. 44, s. 7(1)	5/1/2017	12
1,200,000	Cranberry Valley Golf Course Reconstruction	1,200,000 (2)	Ch. 44, s. 7(1)	5/1/2017	18
3,000,000	Saquatucket Harbormaster Building & Boardwalk Construction	3,000,000 (2)	Ch. 44, s. 7(1)	5/1/2017	20
215,000	Roadway Maintenance	700,000 (2)	Ch. 44, s. 7(1)	5/1/2017	22
<u>\$ 10,750,000</u>					

(1) On May 17, 2016, the Town voted to exempt this purpose from the limitations of Proposition 2 ½, so-called.

(2) On May 16, 2017, the Town voted to exempt these purposes from the limitations of Proposition 2 ½.

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 Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Notes. The Notes will not 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 Notes.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes.

The Town has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

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

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

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable 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 Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a Noteholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Noteholder. Holders of Premium Notes 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 Notes may adversely affect the value of, or the tax status of interest on, the Notes.

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

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 Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. 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 Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the recent federal tax reform proposals in the U.S. House and Senate would reduce corporate tax rates, modify individual tax rates, eliminate many deductions, repeal the alternative minimum tax, eliminate advance refundings and, in the case of the House proposal, eliminate private activity bonds, among other things. These proposals, if passed and signed by the President, may increase, reduce or otherwise change the financial benefits currently provided to certain owners of state and local government bonds. Additionally, Noteholders 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 Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be affected and the ability of Noteholders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rate on the Notes is not subject to adjustment, in the event of any such change in the tax treatment of interest on the Notes.

Book-Entry Transfer System

This section shall apply to Notes issued in book-entry form through the facilities of The Depository Trust Company.

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. 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 the Notes on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the 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 Notes 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 Notes 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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.

Security and Remedies

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

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

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

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 moneys 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" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

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

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

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “TYPES OF OBLIGATIONS” below) 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, the Commonwealth has enacted special legislation to permit the

appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

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

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

Bank Eligibility

The Notes will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Financial Advisory Services of FirstSouthwest, a Division of Hilltop Securities Inc.

FirstSouthwest, a Division of Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

Disclosure of Significant Events

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

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

The Town became obligated to make annual disclosure of certain financial information by filing with the nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2005. Certain required financial information was not timely filed with the NRMSIR for the fiscal years ended June 30, 2012, 2014 and 2015. All missing information has since been filed, as well as a notice of late filing. The Town has implemented procedures to ensure timely filing of all future financial information.

TOWN OF HARWICH, MASSACHUSETTS

General

The Town of Harwich (the "Town") is located on the southeast portion of Cape Cod approximately 82 miles from Boston and 260 miles from New York City. It is bordered by Dennis on the west, Brewster and Orleans on the north, Chatham on the east, and on the south by Nantucket Sound. Harwich has a population of approximately 12,500 which doubles in the summer months. It occupies a land area of 21.04 square miles and is primarily a residential community.

Governing Bodies and Officers

Local legislative decisions are made by an open town meeting consisting of all the registered voters in the Town. The Town approved a new charter, Chapter 18 of the Acts of 2006, on May 16, 2006. The affairs of the Town are administered by a board of five selectmen supported by a Town Administrator. The Board of Selectmen is the principal policy making board in town and the Town Administrator is responsible for general administration, budget preparation and personnel.

Elective offices are the Board of Selectmen, Town Clerk, Moderator, Monomoy Regional School Committee (consisting of eight persons, four from Harwich and four from Chatham), a Water Commission (consisting of three Water Commissioners), Library Trustees, and a Housing Authority.

The Board of Selectmen has the power to appoint a Town Administrator, a Town Counsel, a Town Accountant, a Police Chief, Fire Chief, three Assessors for overlapping three-year terms, three members of a Board of Registrars of Voters for overlapping three-year terms, Election Officers, one or more Constables, a member of the Capital Outlay Committee, and other members of agencies of the Town as provided in the charter.

<u>Town Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Length of Term</u>	<u>Term Expires</u>
Selectman	Larry G. Ballantine	Elected	3 Years	2020
Selectman	Jannell M. Brown	Elected	3 Years	2018
Selectman	Julie E. Kavanagh	Elected	3 Years	2019
Selectman	Michael D. MacAskill	Elected	3 Years	2019
Selectman	Donald F. Howell	Elected	3 Years	2020
Town Administrator	Christopher Clark	Appointed	3 Years	2020
Finance Director/Town Accountant	Carol Coppola	Appointed	3 Years	2020
Treasurer/Town Collector	Amy Bullock	Appointed	Indefinite	--
Town Clerk	Anita N. Doucette	Elected	3 Years	2019
Town Counsel	Kopelman & Paige	Appointed	Indefinite	--

Municipal Services

The Town provides general governmental services for the territory within its boundaries, including, maintenance of town ways and highways, public health and sanitation, town cemeteries, police and fire protection. In addition, Harwich provides an array of recreational facilities including salt water and fresh water beaches, harbors and a town-owned marina, plus one of the finest municipal golf courses in the nation. The Town owns and operates a water system providing water service and fire protection to approximately 9,953 customers. Also located within the Town is the Cape Cod Regional Technical High School (grades 9 through 12) serving Harwich and eleven other towns of the Cape. The Cape Cod Regional Transit Authority provides bus service to the Town. Public education for grades Kindergarten through twelve is provided by the Monomoy Regional School District.

The principal services provided by Barnstable County are space for courts, a jail and house of correction and registry of deeds.

Education

The following table sets forth the trend in enrollments for the various schools attended by Harwich students. The schools in the Towns of Harwich and Chatham became Monomoy Regional School District effective July 1, 2012 for all grades K through grades 12. A new regional high school was built in Harwich on the site of the present Harwich High School and houses grades 8 – 12 and the Chatham Middle/High School became the Intermediate School for the District for grades 5 – 7. Each town has its own k – 4 elementary schools. The Monomoy Regional School District building opened in September 2014. Presently, Harwich will be responsible for approximately 73% of the enrollment/budget and Chatham will be responsible for approximately 27%. Technical education at the high school level is provided by Cape Cod Regional Technical High School District.

PUBLIC SCHOOL ENROLLMENTS
(Harwich Students Only)
(as of October 1)

	Actual					
	2012	2013	2014	2015	2016	2017
Elementary (preK-4)	530	529	566	568	557	496
Middle School (5-8)	345	363	283	286	282	295
Jr./Sr. High (9-12)	278	278	406	397	390	381
Cape Cod Lighthouse Charter School	27	29	28	27	38	37
School Choice	157	160	263	271	133	201
Cape Cod Regional Tech High School	84	73	85	73	74	77
Totals	<u>1,421</u>	<u>1,432</u>	<u>1,631</u>	<u>1,622</u>	<u>1,474</u>	<u>1,487</u>

Source: Monomoy Regional School District, Cape Cod Regional Technical High School District and Cape Cod Lighthouse Charter School.

Industry and Commerce

The Town has made the transition to a progressive tourist, residential, retirement community from what once was a conservative fishing-farming community. A substantial portion of the Town's summer residents either own property in Harwich or are repeat visitors. Due to the reclassification the U.S. Department of Labor now uses the following North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Industry	Calendar Year Average				
	2016	2015	2014	2013	2012
Construction & Natural Resources	608	544	464	453	417
Manufacturing	44	48	29	15	11
Trade, Transportation and Utilities	847	865	841	810	801
Financial Activities	105	105	106	119	116
Professional and Business Services	385	376	338	346	355
Education and Health Services	599	662	674	1,077	943
Leisure and Hospitality	907	895	866	835	806
Information & Other Services	154	139	133	125	153
Total Employment	<u>3,920</u>	<u>3,634</u>	<u>3,451</u>	<u>3,780</u>	<u>3,602</u>
Number of Establishments	465	469	449	442	440
Average Weekly Wages	<u>\$ 869</u>	<u>\$ 828</u>	<u>\$ 781</u>	<u>\$ 785</u>	<u>\$ 766</u>
Total Wages	<u>\$ 177,095,693</u>	<u>\$ 168,195,448</u>	<u>\$ 151,213,028</u>	<u>\$ 164,466,343</u>	<u>\$ 154,229,664</u>

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

Largest Employers

The following is the current list of the largest employers in Harwich, exclusive of the Town itself.

<u>Name of Employer</u>	<u>Product/Function</u>	<u>No. of Employees Approximate</u>
Stop & Shop Supermarket	Grocery Store	162
Robert B. Our Co., Inc.	Construction	160
Wequasset Resort	Resort	150
Cape Cod Technical High School	Education	110
Star Market	Grocery Store	107
Fontaine Center	Medical Facility	100
Wychmere Harbor Beach & Tennis	Private Beach Club	92
Harwichport Heating & Cooling	Utility	75

(1) The Town, as of November, 2017.

Unemployment

According to the Massachusetts Division of Employment and Training, in September 2017, the Town had a total labor force of 6,300 of which 6,091 were employed and 209, or 3.3%, were unemployed, as compared with 3.2% for the Commonwealth (unadjusted). Employment levels generally increase during the summer months.

UNEMPLOYMENT RATES

<u>Calendar Year</u>	<u>Town of Harwich</u>		<u>Commonwealth</u>	<u>United States</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2016	6,056	4.8 %	3.7 %	4.9 %
2015	6,059	6.4	4.9	5.0
2014	6,057	6.9	5.8	6.2
2013	6,009	8.3	6.7	7.4
2012	5,998	8.3	6.7	8.1

SOURCE: Massachusetts Department of Employment and Training and US. Bureau of Labor Statistics. Data based upon place of residence, not place of employment.

Building Permits

The following table sets forth the trend in the number of building permits issued and the estimated dollar value of new construction and alterations.

<u>Fiscal Year (1)</u>	<u>All Building Permits</u>	
	<u>No.</u>	<u>Value</u>
2017	1,242	\$ 48,703,440
2016	1,281	44,404,430
2015	1,433	44,776,488
2014	1,395	96,090,369
2013	1,157	86,886,244 (2)

SOURCE: Building Department

(1) As of June 30 of each year.

(2) \$54,233,464 is for Monomoy Regional School District.

Population, Income and Wealth Levels

	Harwich	Barnstable County	Massachusetts
Median Age			
2009 – 2013 (5 year est.)	51.0	50.4	39.2
2000.....	48.8	44.6	36.5
1990.....	44.4	39.5	33.6
1980.....	44.5	37.7	31.2
Median Family Income 2009			
– 2013 (5 year est.)	\$73,338	\$76,311	\$84,900
2000.....	51,070	54,728	61,664
1990.....	35,036	38,117	44,367
1980.....	17,053	18,314	21,166
Median Household Income 2009			
– 2013 (5 year est.)	\$62,927	\$60,526	\$66,866
2000.....	41,552	45,933	50,502
1990.....	28,259	31,766	36,952
1980.....	14,731	15,553	17,575
Per Capita Income			
2009 – 2013 (5 year est.)	\$34,459	\$36,142	\$35,763
2000.....	23,063	25,318	25,952
1990.....	15,020	16,402	17,224
1980.....	7,044	7,428	7,458

SOURCE: Federal Census.

On the basis of the 2010 federal census, the Town has a population density of 582 persons per square mile. The following table sets forth the trend in the year-round population of the Town. (The Town's summer population is estimated to average approximately 25,000).

POPULATION TRENDS

2010	2000	1990	1980	1970
12,243	12,386	10,275	8,971	5,892

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Overlay" below) 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" below).

The table below illustrates the manner in which the tax levy was determined for the following fiscal years.

TAX LEVY COMPUTATION

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Total Appropriations(1)	\$55,134,582	\$59,512,401	\$59,222,639	\$62,869,276	\$71,009,652
Additions:					
State/County Assessments	593,145	609,604	622,897	638,808	650,351
Overlay Reserve	420,000	430,000	440,000	451,039	467,623
Other Additions	1,452,646	1,041,605	1,115,285	581,650	1,092,259
Total Additions	2,465,791	2,081,209	2,178,182	1,671,497	2,210,233
Gross Amount to be Raised	57,600,373	61,593,610	61,400,821	64,540,773	73,219,885
Deductions:					
Local Estimated Receipts	16,940,032	17,706,136	15,810,136	17,187,833	20,594,660
State Aid:(2)					
Current Year	1,591,432	1,610,389	1,634,849	1,674,452	1,687,427
Available Funds:(3)					
Free Cash	-	1,400,300	426,896	1,339,599	4,011,833
Other Available Funds	631,843	1,105,507	1,368,918	675,820	2,226,244
Total Deductions	19,163,307	21,822,332	19,240,799	20,877,704	28,520,164
Net Amount to be Raised	\$38,437,066	\$39,771,278	\$42,160,022	\$43,663,069	\$44,699,721

- (1) Includes additional appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting the tax rate.
- (2) Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates. See "State Aid" below.
- (3) Transfers from other available funds, including "Free Cash," are generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

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

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation	Tax Levy
2017	\$ 4,905,792,460	\$ 77,454,040	\$ 4,983,246,500	\$ 8.97	\$ 44,699,721
2016	4,739,856,270	74,153,530	4,814,009,800	9.07	43,663,069
2015	4,627,799,590	72,314,360	4,700,113,950	8.97	42,160,022
2014	4,464,555,190	70,368,150	4,534,923,340	8.77	39,771,278
2013	4,409,956,250	69,888,320	4,479,844,570	8.58	38,437,066

Classification of Property

The following is a breakdown of the Town's assessed valuation of real estate in fiscal years 2015 through 2017.

Class	2015		2016		2017	
	Assessed Valuation	% of Total	Assessed Valuation	% of Total	Assessed Valuation	% of Total
Residential	\$4,362,218,987	92.8 %	\$4,461,686,152	92.7 %	\$4,617,995,392	92.7 %
Commercial	245,771,003	5.2	251,670,218	5.2	259,151,168	5.2
Industrial	19,809,600	0.4	26,499,900	0.6	28,645,900	0.6
Personal	72,314,360	1.5	74,153,530	1.5	77,454,040	1.6
Total Real Estate	<u>\$4,700,113,950</u>	<u>100.0 %</u>	<u>\$4,814,009,800</u>	<u>100.0 %</u>	<u>\$4,983,246,500</u>	<u>100.0 %</u>

State Equalized Valuation

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

January 1,	State Equalized Valuation	% Change
2016	\$ 5,172,756,600	6.86 %
2014	4,818,012,600	(3.42)
2012	4,982,071,300	(7.26)
2010	5,372,328,900	(5.58)
2008	5,689,733,100	7.45

Largest Taxpayers

The following is a list of the largest taxpayers in the Town based upon estimated assessed valuations for fiscal year 2017. All of the largest taxpayers shown below are current in their tax payments.

Name	Nature of Business	Fiscal 2017 Assessed Valuation	% of Total Assessed Valuation
Wequasset Inn LLP	Inn	\$ 32,619,880	0.65 %
Nstar Electric Co.	Utility	16,986,760	0.34
WJG Realty Trust	Super Store/Stores	16,892,500	0.34
Colonial Gas	Utility	12,746,650	0.26
NPH Harwich LLC	Nursing Home	12,551,900	0.25
Wychmere Harbor R.E.	Inn	10,894,900	0.22
Individual	Individual Residences	9,239,200	0.19
TRT Harwich LLC	Super Market	8,290,800	0.17
Individual	Residence	7,731,190	0.16
Linear Retail Harwich #1 LLC	Shopping Center	6,534,500	0.13
TOTAL		<u>\$ 134,488,280</u>	<u>2.70 %</u>

Source: Town of Harwich.

Overlay

The Town is authorized by law to increase each tax levy by an amount approved by the Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, 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 table sets forth the amount of the overlay reserve for the last five fiscal years and total abatements granted against each levy.

Fiscal Year	Net Tax Levy	Overlay Reserve		Abatements Granted Through June 30, 2017
		Dollar Amount	% of Net Levy	
2017	\$44,232,098	\$467,623	1.06 %	\$229,100
2016	43,212,030	451,039	1.04	236,473
2015	41,720,022	440,000	1.05	258,776
2014	39,341,278	430,000	1.09	283,859
2013	38,017,066	420,000	1.10	289,593

Tax Collections

The Town accepted a statute providing for quarterly tax payments effective for fiscal 2010; 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. Interest accrues on delinquent taxes currently at the rate of 14 percent per annum.

The following table compares the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for the following fiscal years.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable		Collections as of October 31, 2017	
				Dollar Amount	% of Net Levy	Dollar Amount	% of Net Levy
2017	\$44,699,721	\$467,623	\$44,232,098	\$ 43,841,910	99.1 %	\$ 43,853,610	99.1 %
2016	43,663,069	451,039	43,212,030	42,700,169	98.8	43,060,779	99.6
2015	42,160,022	440,000	41,720,022	41,277,815	98.9	41,583,556	99.7
2014	39,771,278	430,000	39,341,278	38,840,071	98.7	39,221,630	99.7
2013	38,437,066	420,000	38,017,066	37,532,284	98.7	37,909,166	99.7

Tax Titles and Possessions

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. 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 below.

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 non-payment of taxes thereon. 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 such foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of like any land held for municipal purposes.

The following table sets forth the amount of tax titles and possessions as of the end of each of the fiscal years indicated.

Fiscal Year	Total Tax Titles and Possessions
2017	\$ 2,698,056
2016	2,754,755
2015	2,230,634
2014	2,198,347
2013	2,401,339

Taxation to Meet Deficits

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

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

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

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to

exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

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

The Town has been in full compliance with Proposition 2 1/2 since its inception. Under the law as now written, the current and future levies may increase by up to 2 1/2% of the maximum levy limit for the previous fiscal year, plus by any amounts voted for override and debt exclusion, or "new" valuations or "real" valuation increases.

Unused Levy Capacity (1)

	Fiscal Year				
	2013	2014	2015	2016	2017
Primary Levy Limit (2)	\$ 111,996,114	\$ 113,373,084	\$ 117,502,849	\$ 120,350,245	\$ 124,581,163
Prior Fiscal Year Levy Limit	33,650,899	35,842,557	37,130,439	38,520,623	39,950,278
2.5% Levy Growth	841,272	896,064	928,261	963,016	998,757
Current Fiscal Year New Growth (3)	360,203	391,819	461,923	466,639	334,771
Current Fiscal Year Override	990,183	-	-	-	-
Growth Levy Limit	35,842,557	37,130,440	38,520,623	39,950,278	41,283,806
Debt Exclusions	2,267,265	1,757,747	2,275,280	3,452,386	3,508,867
Capital Expenditure Exclusions	150,000	714,500	1,176,795	736,071	-
Other Adjustments	189,883	194,495	199,357	202,395	207,455
Tax Levy Limit	38,449,705	39,797,182	42,172,055	44,341,130	45,000,128
Tax Levy	38,437,066	39,771,278	42,160,022	43,663,069	44,699,721
Unused Levy Capacity (4)	12,639	25,904	12,033	678,061	300,407
Unused Primary Levy Capacity (5)	\$ 76,153,557	\$ 76,242,644	\$ 78,982,226	\$ 80,399,967	\$ 83,297,357

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

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

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

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" below).

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.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. The Town does not have any development districts at the present time.

Cape Cod Land Bank

An excise tax of 3% of the real estate tax levy against real property is levied by the towns on Cape Cod that have accepted the Cape Cod Open Space Land Acquisition Program (the "Land Bank") authorized by Chapter 293 of the Acts of 1998, as amended (the "Land Bank Act"). This levy is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 1/2 (See "Tax Limitations" under "PROPERTY TAXATION" above). The proceeds of the excise tax, together with any state matching funds, are deposited in the Land Bank Fund held by each town and may be appropriated, upon the recommendation of the designated open space committee, for the purposes of acquiring land and interests in land for the protection of public drinking water supplies, open space and conservation and the creation of walking trails, bicycling trails and recreational areas. The Land Bank Act also authorizes the issuance of bonds and notes for these purposes and the payment of debt service on such bonds and notes from amounts on deposit in the Land Bank Fund. Under the terms of the Land Bank Act, the excise tax expires on January 1, 2020.

Pursuant to recent legislation, towns on Cape Cod that have adopted the Land Bank Act may, by vote of its legislative body and subsequent approval by the voters at a state or municipal election, replace its Cape Cod Open Space Land Acquisition Program with a Community Preservation Program. (See "Community Preservation Act" below.) If any such town votes to adopt the Community Preservation Act (the "CPA") in place of the Land Bank Act, the 3% excise tax receipts previously deposited in the town's Land Bank Fund will be deposited in a Community Preservation Fund, together with state matching funds available under the CPA. The revenues in the Community Preservation Fund will be expended pursuant to recommendations of a community preservation committee not just for open space land acquisitions, but also for affordable housing, historic preservation and recreation purposes in accordance with the CPA. Notwithstanding the minimum spending requirements for each of such purposes imposed by the CPA described in "Community Preservation Act" below, revenues deposited in the Community Preservation Fund under the CPA will be available to pay debt service on the portion of any bonds previously authorized by the town under the Land Bank Act. Although other municipalities may set the surcharge tax under the CPA at any rate up to 3% and may revoke its acceptance of the CPA at any time after 5 years from the date of such acceptance, towns on Cape Cod that adopt the CPA as a replacement for the Land Bank Act are required to maintain the surcharge rate at 3%, and may not revoke their acceptance of the CPA until fiscal year 2020.

The Town of Harwich voted on May 17, 2005 to replace its Cape Cod Open Space Land Acquisition Program (the "Land Bank") with a Community Preservation Program under the CPA.

Community Preservation Act

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

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

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state

legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

The following shows the amount in the CPA Surcharge Receipts and State matching funds for the last five fiscal years.

<u>Fiscal Year</u>	<u>CPA Surcharge Receipts</u>	<u>State Matching Funds</u>
2017	\$ 1,305,003	\$ 298,753
2016	1,269,892	415,040
2015	1,220,588	408,607
2014	1,147,475	655,141
2013	1,121,431	332,698

The following shows the amount in the Community Preservation Fund for the last five fiscal years.

<u>Fiscal Year</u>	<u>Fund Balance</u>
2017	\$ 3,845,522
2016	2,274,600
2015	3,411,077
2014	1,925,165
2013	1,453,950

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. In order to be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

TOWN FINANCES

Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

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

The school budget is limited to the amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

Mandatory Items: Mandatory items, such as state and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the budget or other appropriations voted at town meeting.

Revenues: 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 "THE BONDS-Source of Payment and Remedies" and "PROPERTY TAXATION-Tax Levy Computation.")

Operating Budget Trends

The following table sets forth the Town's budgets for fiscal years 2014 through 2018 as voted at town meetings. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items. (See "Budget and Appropriation Process" above.) Similarly, the budgets summarized below exclude expenditures for "non-operating" or extraordinary items authorized under "special" warrant articles but include expenditures made from federal revenue sharing and transfers from available funds.

	Annual Budget				
	2014	2015	2016	2017	2018
General Government	\$3,188,120	\$3,546,906	\$4,582,321	\$4,175,979	\$4,648,785
Public Safety	7,386,378	7,983,711	8,822,347	9,144,761	9,703,949
Health	262,661	283,638	197,950	207,234	217,533
Highway & Sanitation	4,395,746	4,251,178	4,432,147	4,881,337	5,256,403
Education	21,759,572	21,464,867	24,174,551	25,270,631	26,275,033
Library	683,284	764,868	886,888	895,343	914,048
Recreation & Youth	742,608	784,093	522,351	529,727	549,070
Waterways	291,098	342,083	372,960	451,625	466,401
Golf	1,382,776	1,449,336	1,476,191	1,599,675	1,652,549
Insurance	505,084	531,373	548,561	616,519	613,451
Employee Benefits	3,784,068	3,945,954	4,164,202	4,235,000	4,640,227
County Retirement	2,172,465	2,217,735	2,283,370	2,528,468	2,681,194
Debt	3,485,282	3,610,560	3,615,484	3,750,309	2,608,420
Other	555,837	629,568	642,630	815,353	823,358
Total	\$50,594,979	\$51,805,870	\$56,721,953	\$59,101,961	\$61,050,421

Revenues

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

State Aid: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. None of the major local aid programs has a termination date under existing law 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 and payments may vary from the estimates.

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

The following shows the trend in state aid payments received by the Town. The state annually estimates state aid but actual payments may vary from the estimate.

	<u>For Fiscal Year</u>					
	2017	2016	2015	2014	2013	2012
School Construction	\$993,193	\$993,195	\$993,195	\$993,195	\$993,195	\$993,195
School Operating (1)		-	-	-	-	1,735,977
Other State Aid.....	691,466	666,809	550,888	576,809	587,465	596,494
Total	\$1,684,659	\$1,660,004	\$1,544,025	\$1,570,004	\$1,580,659	\$3,325,666

(1) Became Monomoy Regional School District as of July 1, 2012.

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. Harwich has met all of its requirements.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a uniform 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. In fiscal 2017, the Town collected \$2,311,299 in motor vehicle receipts.

Water Rates and Services: The Town of Harwich has a Municipal Water Department that bills its customers based on meter usage. All residential, seasonal, commercial and municipal accounts are billed at the same rate. All accounts are billed semi-annually. Accounts are billed mid-March and mid-September of each year. Each semi-annual billing includes a base rate charge of \$70.00 which does not include water usage. All usage is billed by a tiered rate structure.

1. Tier One: \$1.29 per 1,000 gallons for 1000 to 15,000 gallons.
2. Tier Two: \$2.65 per 1,000 gallons for 15,001 to 30,000 gallons.
3. Tier Three: \$3.95 per 1,000 gallons for 30,001 to 70,000 gallons.
4. Tier Four: \$5.72 per 1,000 gallons for 70,001 gallons and up.

The Harwich Water Department also charges for service connection, seasonal meter /water turn on and off's, fire sprinkler systems, water service installations and renewals, backflow devices inspections, water service markouts, real estate transfers and various service repairs.

The Harwich Water Department distribution system is presently supported by groundwater withdrawals from 14 separate wells. This also includes 5 treatment facilities which treat for corrosion control (pH adjustment) which is required by the U.S. Environmental Protection Agency's Safe Drinking Water Act. The Department introduced chlorination into the system at these same treatment sites. Approximately 85% of the population of Harwich is supplied with drinking water by the Town's distribution system.

The Harwich Water Department is currently an Enterprise Fund and all expenses are paid by the rate payers of the Town of Harwich. All expenses to operate, maintain and expand the system are subject to a Town Meeting vote for authorization to spend each year's budget. This also includes the principal and interest on bonded debt.

The wages and salaries budget for Fiscal Year 2018 is \$1,231,067. The Operations and Maintenance budget for Fiscal Year 2018 is \$2,895,527. The total Fiscal Year 2018 budget is \$4,940,218, including salary and wages, O&M, Capital Outlay, bonded debt and indirect expenses.

The enterprise fund surplus as of July 1, 2017 was \$2,312,183.

Golf: The Town's golf program has served resident and visiting golfers for over twenty years. The golf operations of the Town are run on a self-supporting basis and the excess of golf revenues over expenditures is credited back to the Town's General Fund.

Membership fees entitle residents/taxpayers of the Town and non-residents to membership privileges at Cranberry Valley Golf Course. All other players are charged a greens fee each time they play. Some of the golf fees for fiscal 2017 were as follows: annual membership fees for residents/taxpayers: \$770.00; Chatham residents \$770.00; Eastham and Orleans residents \$870.00; non-resident members \$1,070.00; greens fees: \$42.00-\$72.00; and cart rentals: \$21.00 per person for 18 holes. Junior Harwich and Chatham resident's membership fees (for those 9 - 17 years of age) are \$125.00 and (for those 18 - 21 years of age) \$150.00; junior non-resident fees are \$350.00; and driving range fees are \$5.00 and \$8.00 per bucket of balls. Membership fees are billed on a May 1 to April 30 year.

2017 membership fee revenues totaled \$715,575. Membership fees are expected to generate approximately one-third of total golf revenues annually. In fiscal 2017, golf revenues totaled \$1,775,101. The balance of golf revenues are expected to be derived from greens fees, cart rentals, cart storage fees, driving range fees and locker rentals at Cranberry Valley Golf Course. The following table sets forth the trend in actual golf revenues and expenditures for the last five fiscal years.

<u>Fiscal Year</u>	<u>Revenues (1)</u>	<u>Expenditures (2)</u>
2017	\$1,775,101	\$1,415,827
2016	1,841,660	1,375,306
2015	1,736,998	1,702,476
2014	1,982,027	1,713,076
2013	1,880,767	1,615,667

(1) Pro-shop sales and capital improvement fees included.

(2) Does not include amounts for employee benefits, insurance and other various expenses.

Local Meals Tax: The Town voted to impose an excise of 0.75% on the sales of restaurant meals originating within the town. This tax became effective on July 1, 2011. The Town collected \$379,689 in fiscal 2016, \$406,465 in fiscal 2017 and estimates collections of \$337,000 for fiscal 2018.

Room Occupancy Tax: Under the room occupancy tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) 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 collected \$649,120 in fiscal 2016, \$678,226 in fiscal 2017 and expects to collect \$625,000 in fiscal 2018.

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.

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

Investment of Town Funds

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

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

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

Further information regarding the above investments may be obtained from the Town Treasurer.

Audits

The Town's accounts were most recently audited for the fiscal year ended June 30, 2016, by Lynch, Malloy, Marini, LLP, Certified Public Accountant of Brewster, Massachusetts, and is attached hereto as Appendix A. The Town hired Powers & Sullivan, LLC of Wakefield, Massachusetts to audit the Town's accounts for the fiscal year ended June 30, 2017 and the final report is nearing completion and is expected to be available by March 2018. Copies of prior years' audit reports are available upon request.

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

Financial Statements

Set forth on the following pages are extracts from audited financial statements of the Town for the applicable years: are Governmental Funds Balance Sheets for fiscal years 2017 (draft – subject to change), 2016, 2015 and 2014; and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds for fiscal years 2017 (draft – subject to change) and 2016 through 2012. Said statements have been extracted from audited financial statement, with the exception of fiscal 2017 draft statements which are preliminary and subject to revision and change.

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2017(1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,758,970	\$ 3,923,741	\$ 8,008,820	\$ 20,691,531
Investments	2,969,742	-	698,118	3,667,860
Receivables, net of uncollectibles				
Real estate and personal property taxes	866,317	21,343	-	887,660
Tax liens	2,363,423	50,063	-	2,413,486
Motor vehicle and other excise taxes	174,766	-	-	174,766
Departmental and other	2,319,180	-	-	2,319,180
Special assessments	-	-	778,391	778,391
Intergovernmental	-	400,000	562,173	962,173
Tax foreclosures	332,256	-	-	332,256
Due from other funds	-	-	120,307	120,307
Inventory	-	-	152,585	152,585
TOTAL ASSETS	\$ 17,784,654	\$ 4,395,147	\$ 10,320,394	\$ 32,500,195
LIABILITIES				
Warrants payable	\$ 378,175	\$ 413,352	\$ 76,611	\$ 868,138
Accrued payroll	280,060	-	7,701	287,761
Tax refunds payable	363,000	-	-	363,000
Accrued interest on short-term debt	93,121	-	-	93,121
Payroll withholdings	129,029	-	-	129,029
Other liabilities	112,579	-	-	112,579
Due to other funds	-	-	120,307	120,307
Notes payable	-	-	7,179,387	7,179,387
TOTAL LIABILITIES	1,355,964	413,352	7,384,006	9,153,322
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	5,806,816	71,407	1,220,056	7,098,279
Total deferred inflows of resources	5,806,816	71,407	1,220,056	7,098,279
FUND BALANCE				
Nonspendable	-	-	601,676	601,676
Restricted	-	3,910,388	3,722,828	7,633,216
Committed	1,574,950	-	-	1,574,950
Assigned	1,991,391	-	-	1,991,391
Unassigned	7,055,533	-	(2,608,172)	4,447,361
Total fund balance	10,621,874	3,910,388	1,716,332	16,248,594
Total liabilities, deferred inflow of resources, and fund balance	\$ 17,784,654	\$ 4,395,147	\$ 10,320,394	\$ 32,500,195

(1) Extracted from draft financial statements of the Town, subject to revision and change.

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016(1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,981,057	\$ 3,472,389	\$ 3,848,167	\$ 18,301,613
Investments	430,410	-	822,026	1,252,436
Receivables	6,738,112	72,772	2,636,026	9,446,910
Due from fiduciary funds	106,632	-	-	106,632
Inventories	765	-	137,442	138,207
TOTAL ASSETS	\$ 18,256,976	\$ 3,545,161	\$ 7,443,661	\$ 29,245,798
LIABILITIES				
Accounts Payable	\$ 557,507	\$ -	\$ 674,525.00	\$ 1,232,032
Salaries and withholding payable	780,617	-	-	780,617
Provision for refund of paid taxes	380,400	-	-	380,400
Notes payable	-	-	3,293,000	3,293,000
Other liabilities	306,460	-	-	306,460
TOTAL LIABILITIES	2,024,984	-	3,967,525	5,992,509
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	6,521,254	72,772	2,636,026	9,230,052
Total deferred inflows of resources	6,521,254	72,772	2,636,026	9,230,052
FUND BALANCE				
Nonspendable	-	3,472,389	137,442	3,609,831
Restricted	59,735	-	4,043,139	4,102,874
Committed	5,147,433	-	450,958	5,598,391
Assigned	191,116	-	-	191,116
Unassigned	4,312,454	-	(3,791,429)	521,025
Total fund balance	9,710,738	3,472,389	840,110	14,023,237
Total liabilities, deferred inflow of resources, and fund balance	\$ 18,256,976	\$ 3,545,161	\$ 7,443,661	\$ 29,245,798

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

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015(1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,586,269	\$ 4,335,158	\$ 4,587,304	\$ 18,508,731
Investments	-	-	672,204	672,204
Receivables	6,592,411	61,031	2,348,946	9,002,388
Due from agency & other governmental funds	19,745	-	-	19,745
Interfund receivable	55,439	-	-	55,439
Inventories	1,866	-	156,747	158,613
TOTAL ASSETS	\$ 16,255,730	\$ 4,396,189	\$ 7,765,201	\$ 28,417,120
LIABILITIES				
Accounts Payable	\$ 332,787	\$ -	\$ -	\$ 332,787
Salaries and withholding payable	688,176	-	-	688,176
Provision for refund of paid taxes	173,000	-	-	173,000
Notes payable	-	-	2,203,000	2,203,000
Interfund payable	-	-	55,439	55,439
Other liabilities	459,457	-	-	459,457
TOTAL LIABILITIES	1,653,420	-	2,258,439	3,911,859
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	6,456,802	61,031	2,353,045	8,870,878
Total deferred inflows of resources	6,456,802	61,031	2,353,045	8,870,878
FUND BALANCE				
Nonspendable	-	-	156,746	156,746
Restricted	59,735	4,335,158	3,700,662	8,095,555
Committed	2,282,380	-	296,927	2,579,307
Assigned	165,245	-	-	165,245
Unassigned	5,638,148	-	(1,000,618)	4,637,530
Total fund balance	8,145,508	4,335,158	3,153,717	15,634,383
Total liabilities, deferred inflow of resources, and fund balance	\$ 16,255,730	\$ 4,396,189	\$ 7,765,201	\$ 28,417,120

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

TOWN OF HARWICH, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014 (1)

	General Fund	Community Preservation Fund	Allen Harbor Dredging Project	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,724,643	\$ 2,979,832	\$ 174,099	\$ 3,376,983	\$ 14,255,557
Investment	-	-	-	668,106	668,106
Receivables	6,816,888	60,691	-	2,491,111	9,368,690
Due from agency fund	24,048	-	-	-	24,048
Inventories	2,070	-	-	156,746	158,816
TOTAL ASSETS	\$ 14,567,649	\$ 3,040,523	\$ 174,099	\$ 6,692,946	\$ 24,475,217
LIABILITIES					
Warrants and accounts payable	\$ 1,567,798	\$ -	\$ -	\$ -	\$ 1,567,798
Salaries and withholdings payable	568,583	-	-	-	568,583
Provision for refund of paid taxes	117,000	-	-	-	117,000
Notes Payable	-	-	-	500,000	500,000
Other Liabilities	155,595	-	-	-	155,595
TOTAL LIABILITIES	2,408,976	-	-	500,000	2,908,976
Deferred inflows of Resources:					
Deferred Revenue	6,666,445	60,691	-	2,491,110	9,218,246
Total deferred inflows of resources	6,666,445	60,691	-	2,491,110	9,218,246
FUND BALANCES:					
Nonspendable	-	-	-	156,746	156,746
Restricted	59,735	2,979,832	-	3,589,244	6,628,811
Committed	1,028,708	-	174,099	197,008	1,399,815
Assigned	16,253	-	-	-	16,253
Unassigned	4,387,532	-	-	(241,162)	4,146,370
TOTAL FUND BALANCES	5,492,228	2,979,832	174,099	3,701,836	12,347,995
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,567,649	\$ 3,040,523	\$ 174,099	\$ 6,692,946	\$ 24,475,217

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

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
June 30, 2017 (1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Real estate and personal property taxes, net of tax refunds	\$ 44,303,139	\$ 1,305,160	\$ -	\$ 45,608,299
Tax and trash liens	291,987	6,709	-	298,696
Motor vehicle and other excise taxes	3,410,659	-	25,017	3,435,676
Charges for services	38,693	-	165,451	204,144
Water charges	2,898,807	-	-	2,898,807
Trash disposal	2,749,461	-	-	2,749,461
Penalties and interest on taxes	407,352	3,329	-	410,681
Fees and rentals	1,877,913	-	-	1,877,913
Payments in lieu of taxes	56,741	-	-	56,741
Licenses and permits	694,880	-	-	694,880
Intergovernmental	1,750,183	298,753	1,668,881	3,717,817
Gits and grants	-	400,000	-	400,000
Departmental and other	495,129	20,574	2,596,651	3,112,354
Special assessments	-	-	106,661	106,661
Contributions	-	-	38,664	38,664
Investment income	65,469	5,132	49,764	120,365
Miscellaneous	-	-	16,000	16,000
TOTAL REVENUES	\$ 59,040,413	\$ 2,039,657	\$ 4,667,089	\$ 65,747,159
Expenditures:				
Current:				
General government	\$ 3,078,067	\$ -	\$ 139,855	\$ 3,217,922
Public safety	8,983,370	-	40,898	9,024,268
Education	25,495,354	-	-	25,495,354
Public works	6,119,215	-	2,655,207	8,774,422
Human services	1,139,760	-	92,978	1,232,738
Culture and recreation	3,291,386	-	838,720	4,130,106
Community preservation	-	1,248,441	-	1,248,441
Pension benefits	2,364,925	-	-	2,364,925
Property and liability insurance	425	-	-	425
Employee benefits	4,124,204	-	-	4,124,204
State and county charges	646,442	-	-	646,442
Debt service:				
Principal	2,777,358	-	-	2,777,358
Interest	485,197	-	-	485,197
TOTAL EXPENDITURES	\$ 58,505,703	\$ 1,248,441	\$ 3,767,658	\$ 63,521,802
Excess (deficiency) of revenues over Expenditures	534,710	791,216	899,431	2,225,357
Other Financing Sources (Uses):				
Transfers in	3,132,279	280,183	781,575	4,194,037
Transfers out	(2,755,853)	(633,400)	(804,784)	(4,194,037)
Total Other Financing Sources (Uses):	376,426	(353,217)	(23,209)	-
Net change in Fund Balances	911,136	437,999	876,222	2,225,357
Fund Balances, at Beginning of Year	9,710,738	3,472,389	840,110	14,023,237
Fund Balances, at End of Year	\$ 10,621,874	\$ 3,910,388	\$ 1,716,332	\$ 16,248,594

(1) Extracted from draft financial statements of the Town, subject to revision and change.

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
June 30, 2016 (1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes and payments in lieu	\$ 43,028,576	\$ 1,269,770	\$ -	\$ 44,298,346
Excise taxes	3,109,913	-	25,148	3,135,061
Licenses, fees and permits	1,777,026	-	-	1,777,026
Penalties and interest on taxes	293,182	866	20,799	314,847
Investment earnings	43,616	4,065	60,508	108,189
Charges for services	1,474,972	-	644,267	2,119,239
Golf course fees	1,841,659	-	-	1,841,659
Wharfage fees	34,228	-	-	34,228
Sanitation fees	2,455,995	-	-	2,455,995
Recreational, and other departmental	898,739	-	715,616	1,614,355
Contributions	-	-	38,733	38,733
Intergovernmental	1,639,593	415,040	4,951,121	7,005,754
TOTAL REVENUES	\$ 56,597,499	\$ 1,689,741	\$ 6,456,192	\$ 64,743,432
Expenditures:				
Current:				
General government	\$ 2,977,653	\$ -	\$ 120,216	\$ 3,097,869
Public safety	8,827,276	-	82,710	8,909,986
Education	24,235,546	-	-	24,235,546
Public works	5,609,423	1,317,472	6,484,218	13,411,113
Human services	1,144,168	-	103,658	1,247,826
Culture and recreation	3,461,231	-	1,633,652	5,094,883
Employee and other insurance	6,440,067	-	29,525	6,469,592
State and county assessments	536,513	-	-	536,513
Debt service:				
Principal	2,802,358	-	-	2,802,358
Interest and other charges	548,892	-	-	548,892
TOTAL EXPENDITURES	\$ 56,583,127	\$ 1,317,472	\$ 8,453,979	\$ 66,354,578
Excess (deficiency) of revenues over Expenditures	14,372	372,269	(1,997,787)	(1,611,146)
Other Financing Sources (Uses):				
Transfers in	1,238,095	(662,275)	260,000	835,820
Transfers out	(260,000)	-	(575,820)	(835,820)
Total Other Financing Sources (Uses):	978,095	(662,275)	(315,820)	-
Net change in Fund Balances	992,467	(290,006)	(2,313,607)	(1,611,146)
Fund Balances, at Beginning of Year	8,718,271	3,762,395	3,153,717	15,634,383
Fund Balances, at End of Year	\$ 9,710,738	\$ 3,472,389	\$ 840,110	\$ 14,023,237

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

TOWN OF HARWICH, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
June 30, 2015 (1)

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes and payments in lieu	\$ 42,084,856	\$ 1,246,935	\$ -	\$ 43,331,791
Excise taxes	2,895,425	-	25,346	2,920,771
Licenses, fees and permits	1,688,049	-	-	1,688,049
Penalties and interest on taxes	306,503	1,370	-	307,873
Investment earnings	25,523	4,415	18,949	48,887
Charges for services	1,489,762	-	607,035	2,096,797
Golf course fees	1,736,999	-	-	1,736,999
Wharfage fees	33,474	-	-	33,474
Sanitation fees	2,156,538	-	-	2,156,538
Recreational, and other departmental	679,987	-	568,216	1,248,203
Contributions	-	-	117,968	117,968
Intergovernmental	1,544,075	615,111	1,981,493	4,140,679
TOTAL REVENUES	\$ 54,641,191	\$ 1,867,831	\$ 3,319,007	\$ 59,828,029
Expenditures:				
Current:				
General government	\$ 2,553,852	\$ -	\$ 135,136	\$ 2,688,988
Public safety	8,413,636	-	19,950	8,433,586
Education	21,318,513	-	25,253	21,343,766
Public works	5,490,575	455,975	3,108,085	9,054,635
Human services	1,192,866	-	110,097	1,302,963
Culture and recreation	3,072,623	-	321,592	3,394,215
Employee and other insurance	6,084,357	-	22,086	6,106,443
State and county assessments	642,174	-	-	642,174
Debt service:				
Principal	2,812,358	-	-	2,812,358
Interest and other charges	662,513	-	-	662,513
TOTAL EXPENDITURES	\$ 52,243,467	\$ 455,975	\$ 3,742,199	\$ 56,441,641
Excess (deficiency) of revenues over Expenditures	2,397,724	1,411,856	(423,192)	3,386,388
Other Financing Sources (Uses):				
Transfers in	1,190,258	627,345	207,357	2,024,960
Transfers out	(934,702)	(683,875)	(506,383)	(2,124,960)
Total Other Financing Sources (Uses):	255,556	(56,530)	(299,026)	(100,000)
Net change in Fund Balances	2,653,280	1,355,326	(722,218)	3,286,388
Fund Balances, at Beginning of Year	5,492,228	2,979,832	3,875,935	12,347,995
Fund Balances, at End of Year	\$ 8,145,508	\$ 4,335,158	\$ 3,153,717	\$ 15,634,383

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

TOWN OF HARWICH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (1)
JUNE 30, 2014

	General	Community Preservation	Allen Harbor Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and payments in lieu	\$ 39,519,903	\$ 1,163,279	\$ -	\$ -	\$ 40,683,182
Excise taxes	2,786,762	-	-	24,681	2,811,443
Licenses, fees and permits	975,256	-	-	-	975,256
Penalties and interest	372,084	490	-	-	372,574
Investment earning	37,159	4,067	-	49,528	90,754
Charges for services	1,147,928	-	-	620,049	1,767,977
Golf course fee	1,749,414	-	-	-	1,749,414
Wharfage fee	807,292	-	-	-	807,292
Sanitation fee	1,931,322	-	-	-	1,931,322
Recreational and other departmental	707,074	-	-	743,162	1,450,236
Contributions	-	-	-	42,338	42,338
Intergovernmental	5,019,408	660,237	-	1,045,618	6,725,263
Total Revenues	<u>55,053,602</u>	<u>1,828,073</u>	<u>-</u>	<u>2,525,376</u>	<u>59,407,051</u>
Expenditures:					
Current:					
General government	2,770,490	14,317	-	31,021	2,815,828
Public Safety	8,084,187	-	-	23,722	8,107,909
Education	21,759,572	-	-	-	21,759,572
Public works	5,202,519	138,464	-	937,483	6,278,466
Human services	1,127,644	3,435	-	265,978	1,397,057
Culture and recreation	3,348,569	251,826	30,996	337,135	3,968,526
Employee and other insurance	9,577,145	-	-	44,352	9,621,497
State and County assessments	627,779	-	-	-	627,779
Debt Service					
Principal	2,825,000	-	-	-	2,825,000
Interest	643,018	-	-	-	643,018
Total Expenditures	<u>55,965,923</u>	<u>408,042</u>	<u>30,996</u>	<u>1,639,691</u>	<u>58,044,652</u>
Excess (deficiency) of revenues over expenditures	<u>(912,321)</u>	<u>1,420,031</u>	<u>(30,996)</u>	<u>885,685</u>	<u>1,362,399</u>
Other Financing Sources (Uses):					
Proceeds from long-term debt	-	-	2,900,000	-	2,900,000
Transfers In	1,127,024	-	-	61,525	1,188,549
Transfers Out	(333,513)	(704,970)	-	(453,579)	(1,492,062)
Total Other Financing Sources (Uses)	<u>793,511</u>	<u>(704,970)</u>	<u>2,900,000</u>	<u>(392,054)</u>	<u>2,596,487</u>
Net Change in Fund Balance	<u>(118,810)</u>	<u>715,061</u>	<u>2,869,004</u>	<u>493,631</u>	<u>3,958,886</u>
Fund balance, at beginning of year	<u>5,611,038</u>	<u>2,264,771</u>	<u>(2,694,905)</u>	<u>3,208,205</u>	<u>8,389,109</u>
Fund balance, at ending of year	<u>\$ 5,492,228</u>	<u>\$ 2,979,832</u>	<u>\$ 174,099</u>	<u>\$ 3,701,836</u>	<u>\$ 12,347,995</u>

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

TOWN OF HARWICH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (1)
JUNE 30, 2013

	General	Community Preservation	Allen Harbor Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and payments in lieu	\$ 38,201,514	\$ 1,121,346	\$ -	\$ -	\$ 39,322,860
Excise taxes	2,504,980	-	-	24,941	2,529,921
Licenses, fees and permits	848,300	-	-	-	848,300
Penalties and interest	284,945	18	-	44,918	329,881
Investment earning	26,422	758	-	532,641	559,821
Charges for services	981,281	-	-	-	981,281
Golf course fee	1,694,280	-	-	-	1,694,280
Wharfage fee	817,678	-	-	-	817,678
Sanitation fee	1,713,368	-	-	-	1,713,368
Recreational and other departmental	404,040	-	-	352,240	756,280
Contributions	-	-	-	63,492	63,492
Intergovernmental	5,058,338	332,698	-	821,707	6,212,743
Total Revenues	<u>52,535,146</u>	<u>1,454,820</u>	<u>-</u>	<u>1,839,939</u>	<u>55,829,905</u>
Expenditures:					
Current:					
General government	2,228,881	29,898	-	69,383	2,328,162
Public Safety	7,502,643	-	-	68,079	7,570,722
Education	20,880,179	19,705	-	15,425	20,915,309
Public works	4,404,862	52,223	-	690,602	5,147,687
Human services	978,810	330,000	-	351,208	1,660,018
Culture and recreation	2,889,257	57,712	2,564,933	367,131	5,879,033
Employee and other insurance	9,715,505	-	-	16,728	9,732,233
State and County assessments	626,146	-	-	-	626,146
Debt Service					
Principal	3,269,227	-	-	-	3,269,227
Interest	707,299	-	-	-	707,299
Total Expenditures	<u>53,202,809</u>	<u>489,538</u>	<u>2,564,933</u>	<u>1,578,556</u>	<u>57,835,836</u>
Excess (deficiency) of revenues over expenditures	<u>(667,663)</u>	<u>965,282</u>	<u>(2,564,933)</u>	<u>261,383</u>	<u>(2,005,931)</u>
Other Financing Sources (Uses):					
Premiums from issuance of refunding bonds	343,949	-	-	-	343,949
Issuance costs associated w/ refunding bonds	(59,037)	-	-	-	(59,037)
Refunding bond proceeds	3,565,000	-	-	-	3,565,000
Payment to refunded bond escrow agent	(3,849,912)	-	-	-	(3,849,912)
Transfers In	1,597,119	171,140	-	56,900	1,825,159
Transfers Out	(228,040)	(1,159,930)	-	(440,583)	(1,828,553)
Total Other Financing Sources (Uses)	<u>1,369,079</u>	<u>(988,790)</u>	<u>-</u>	<u>(383,683)</u>	<u>(3,394)</u>
Extraordinary Item					
Transfers to Monomoy Regional School District	-	-	-	(1,557,509)	(1,557,509)
Total Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,557,509)</u>	<u>(1,557,509)</u>
Net Change in Fund Balance	<u>701,416</u>	<u>(23,508)</u>	<u>(2,564,933)</u>	<u>(1,679,809)</u>	<u>(3,566,834)</u>
Fund balance, at beginning of year	<u>4,909,622</u>	<u>2,288,279</u>	<u>(129,972)</u>	<u>4,888,010</u>	<u>11,955,939</u>
Fund balance, at ending of year	<u>\$ 5,611,038</u>	<u>\$ 2,264,771</u>	<u>\$ (2,694,905)</u>	<u>\$ 3,208,201</u>	<u>\$ 8,389,105</u>

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

TOWN OF HARWICH, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN F
GOVERNMENTAL FUNDS (1)
JUNE 30, 2012

	General	Community Preservation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and payments in lieu	\$ 37,237,734	\$ 1,087,451	\$ -	\$ 38,325,185
Excise taxes	2,355,578	-	24,702	2,380,280
Licenses, fees and permits	821,559	-	-	821,559
Penalties and interest	219,376	-	-	219,376
Investment earning	38,647	498	40,439	79,584
Charges for services	-	-	1,202,708	1,202,708
Golf course fee	1,710,330	-	-	1,710,330
Wharfage fee	825,900	-	-	825,900
Sanitation fee	1,699,684	-	-	1,699,684
Contributions	-	-	197,454	197,454
Departmental and other	1,401,285	-	935,481	2,336,766
Intergovernmental	6,639,147	317,848	3,363,523	10,320,518
Total Revenues	<u>52,949,240</u>	<u>1,405,797</u>	<u>5,764,307</u>	<u>60,119,344</u>
Expenditures:				
Current:				
General government	2,693,093	471,023	62,446	3,226,562
Public Safety	8,106,357	-	361,388	8,467,745
Education	17,902,054	-	3,003,797	20,905,851
Public works	4,533,856	-	598,468	5,132,324
Human services	988,119	-	268,447	1,256,566
Culture and recreation	3,155,927	-	813,782	3,969,709
Employee and other insurance	12,492,865	-	31,124	12,523,989
State and County assessments	579,642	-	-	579,642
Debt Service				
Principal	3,662,227	-	-	3,662,227
Interest	904,485	-	-	904,485
Total Expenditures	<u>55,018,625</u>	<u>471,023</u>	<u>5,139,452</u>	<u>60,629,100</u>
Excess (deficiency) of revenues over expenditures	<u>(2,069,385)</u>	<u>934,774</u>	<u>624,855</u>	<u>(509,756)</u>
Other Financing Sources (Uses):				
Proceeds from long-term debt, net	-	-	162,000	162,000
Transfers In	1,155,330	-	-	1,155,330
Transfers Out	-	(782,497)	(372,833)	(1,155,330)
Total Other Financing Sources (Uses)	<u>1,155,330</u>	<u>(782,497)</u>	<u>(210,833)</u>	<u>162,000</u>
Net Change in Fund Balance	<u>(914,055)</u>	<u>152,277</u>	<u>414,022</u>	<u>(347,756)</u>
Fund balance, at beginning of year	<u>5,823,677</u>	<u>2,136,002</u>	<u>4,344,011</u>	<u>12,303,690</u>
Fund balance, at ending of year	<u>\$ 4,909,622</u>	<u>\$ 2,288,279</u>	<u>\$ 4,758,033</u>	<u>\$ 11,955,934</u>

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

Unassigned 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 undesignated fund balance adjusted to a cash basis. The following table sets forth the trend in unassigned fund balance and free cash as certified by the Bureau of Accounts.

Year	Unassigned Fund Balance (June 30)(1)	Free Cash (July 1)
2017	\$ 7,055,533 (2)	\$ 3,576,156
2016	4,312,454	1,984,792
2015	5,638,148	4,023,702
2014	4,387,532	1,353,050
2013	4,358,533	445,804

(1) Extracted from audited financial statements, except as footnoted below.

(2) Estimate; preliminary and subject to change.

Stabilization Fund

The Town established a stabilization fund in fiscal 1987. The stabilization fund is accounted for in the Trust Funds. Funded by an annual appropriation, the Stabilization Fund, plus interest income, may be appropriated at an annual or special town meeting for any municipal purpose. The following table lists the Stabilization Fund Balances as of the end of each of the last five fiscal years.

As of June 30,	Stabilization Fund Balance
2017	\$ 2,855,862
2016	1,109,415
2015	1,100,521
2014	998,750
2013	993,730

Tax Increment Financing for Development Districts

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

Capital Improvements Program

A capital outlay committee of five members appointed for three year overlapping terms assists the town administrator in the development of the capital outlay plan and budget.

INDEBTEDNESS

Authorization Procedure and Limitations

Bonds and notes are authorized on behalf of the Town by two-thirds of town meeting. Refunding bonds are notes are authorized by the Selectmen. Borrowings for certain 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 debt 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.

The general debt limit of a city or town consists of normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. A city or town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor 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, bonds for electric, gas and telecommunication systems, 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 and the special debt limit for water bonds apply at the time debt are authorized. The other special debt limits generally apply at the time the debt is incurred.

Types of Obligations

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

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

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

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

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed 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 under the statute be refunded from time to time up to one year from the original date of issue. **The Town has not issued any revenue anticipation notes in the current or any of the past five fiscal years.**

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

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water or Drinking Water Revolving Loan Program and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns, having electric light departments may issue revenue bonds, and notes in anticipation of revenue bonds, subject to the approval of the State Department of Public Utilities.

**TOWN OF HARWICH
Direct Debt Summary
as of June 30, 2017**

General Obligation Bonds Outstanding:

General (2)	\$ 10,995,000	
School (3)	280,000	
Water (4)	6,020,000	
MCWT (3)(4)	<u>1,889,455</u>	
Total Outstanding		\$ 19,184,455

Short-Term Debt Outstanding:

Bond Anticipation Notes Outstanding (5)	7,279,387	
This Issue Bond Anticipation Notes - New Money (6)	<u>10,750,000</u>	
Total Outstanding After This Issue (7)		<u>18,029,387</u>
Total Direct Debt after This Issue:		<u><u>\$ 37,213,842</u></u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.
- (2) \$260,000 is not subject to the Town's general debt limit. \$8,405,000 is exempt from Proposition 2 ½.
- (3) Exempt from Proposition 2 ½.
- (4) Not subject to the Town's general debt limit.
- (5) Payable June 22, 2018.
- (6) Payable July 13, 2018 (this issue).
- (7) Payable June 22, 2018 and July 13, 2018 (this issue).

Debt Ratios (1)

The table below sets forth the ratio of debt to equalized valuation and per capita debt ratios at the end of the following fiscal years. The table considers the principal amount of general obligation bonds outstanding of the Town. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	General Obligation Bonds Outstanding	Population (2010 Federal Census)	State Equalized Valuation (1)	Per Capita Debt	Debt as a % of Full Valuation
2017	\$ 19,184,455	12,243	\$ 5,172,756,600	\$1,567	0.37 %
2016	22,507,789	12,243	4,818,012,600	1,838	0.47
2015	23,901,914	12,243	4,818,012,600	1,952	0.50
2014	27,184,272	12,243	4,982,071,300	2,220	0.55
2013	27,601,537	12,243	4,982,071,300	2,254	0.55

(1) 2012 equalized valuation used for fiscal years 2013 and 2014; 2014 equalized valuation used for fiscal years 2015 and 2016; 2016 equalized valuation used for fiscal year 2017.

Debt Service Requirements

The following table sets forth the debt service payments (principal and interest) on outstanding general obligation bonds of the Town as of June 30, 2017, excluding the effects of any remaining MSBA aid and MCWT subsidies.

Fiscal Year	Outstanding Debt		Total Debt Service
	Principal	Interest	
2018	\$ 2,329,986	\$ 597,019	\$ 2,927,005
2019	2,311,673	521,405	2,833,078
2020	2,207,989	445,778	2,653,767
2021	1,954,971	376,898	2,331,868
2022	1,680,720	315,896	1,996,616
2023	1,362,559	267,010	1,629,569
2024	1,009,438	230,998	1,240,436
2025	835,236	201,551	1,036,787
2026	837,197	173,534	1,010,731
2027	834,201	145,184	979,385
2028	836,248	116,662	952,910
2029	683,340	86,659	769,999
2030	395,478	62,927	458,405
2031	322,661	51,232	373,893
2032	319,892	42,344	362,236
2033	322,172	33,359	355,531
2034	324,501	24,263	348,764
2035	241,881	16,224	258,105
2036	244,313	9,306	253,619
2037	130,000	2,340	132,340
	<u>\$ 19,184,455</u>	<u>\$ 3,720,589</u>	<u>\$ 22,905,044</u>

Principal Payments by Purpose

The following table projects the principal payments on outstanding bonds as of June 30, 2017.

Fiscal Year	Outstanding Debt (1)				Total Principal
	General (2)	School (3)	Water (4)	MCWT (3)(4)	
2018	\$ 1,705,000	\$ 60,000	\$ 470,000	\$ 94,986	\$ 2,329,986
2019	1,690,000	55,000	470,000	96,673	2,311,673
2020	1,585,000	55,000	470,000	97,989	2,207,989
2021	1,335,000	55,000	465,000	99,971	1,954,971
2022	1,070,000	55,000	465,000	90,720	1,680,720
2023	960,000	-	310,000	92,559	1,362,559
2024	605,000	-	310,000	94,438	1,009,438
2025	440,000	-	305,000	90,236	835,236
2026	440,000	-	305,000	92,197	837,197
2027	440,000	-	300,000	94,201	834,201
2028	440,000	-	300,000	96,248	836,248
2029	285,000	-	300,000	98,340	683,340
2030	-	-	295,000	100,478	395,478
2031	-	-	220,000	102,661	322,661
2032	-	-	215,000	104,892	319,892
2033	-	-	215,000	107,172	322,172
2034	-	-	215,000	109,501	324,501
2035	-	-	130,000	111,881	241,881
2036	-	-	130,000	114,313	244,313
2037	-	-	130,000	-	130,000
	<u>\$ 10,995,000</u>	<u>\$ 280,000</u>	<u>\$ 6,020,000</u>	<u>\$ 1,889,455</u>	<u>\$ 19,184,455</u>

- (1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability, and other post-employment benefits liability.
(2) \$260,000 is not subject to the Town's general debt limit. \$8,405,000 is exempt from Proposition 2 ½.
(3) Exempt from Proposition 2 ½.
(4) Not subject to the Town's general debt limit.

Overlapping Debt

The Town of Harwich is in Barnstable County, is a member of the Cape Cod Regional Transit Authority, the Monomoy Regional School District with the Town of Chatham and one of twelve members of the Cape Cod Regional Technical High School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of Barnstable County, the Cape Cod Regional Transit Authority and the Cape Cod Regional Technical High School District as of June 30, 2017, and the Town's gross share of such debt and the fiscal 2018 dollar assessment for each.

Overlapping Entity	Outstanding Debt	Harwich Estimated Share	Dollar Assessment ⁽¹⁾
Barnstable County ⁽²⁾	\$22,114,734	6.36%	\$197,368
Cape Cod Regional Transit Authority ⁽³⁾	0	6.00	99,787
Cape Cod Regional Technical High School District ⁽⁴⁾	0	12.40 ⁽⁵⁾	1,487,362
Monomoy Regional School District ⁽⁶⁾	25,600,000	73.48	24,759,749
Cape Cod Commission ⁽⁷⁾	0	0	211,604

- (1) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service.
(Footnotes continued on next page.)

- (2) SOURCE: Barnstable County Treasurer. County expenses including debt service on county bonds are assessed upon the cities and town within the county in proportion to their taxable valuation as last equalized by the State Commissioner of Revenue. Includes Environmental Protection Fund Tax.
- (3) SOURCE: Cape Cod Regional Transit Authority. The municipal share is based on a percentage furnished by the Cape Cod Regional Transit Authority as that used in the most recent assessment of aggregate net cost of service of the Transit Authority, including debt service and net operating expenses, although assessments for various categories of service are separately calculated by different formulae. Shares vary from year to year. It has been state practice in recent years to provide a portion of the net cost of service of the Authority, including debt service on the Authority's bonds. The remainder of the net cost of service is assessed on the member municipalities within the territory of the Cape Cod Regional Transit Authority. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.
- (4) SOURCE: Cape Cod Regional Technical High School District. Towns may organize regional school districts to carry out general or specialized educational functions. Pursuant to special laws, a number of cities may also participate in regional school districts, primarily for vocational education. The operating expenses and debt service of regional school districts are apportioned among the member municipalities in accordance with the agreements establishing the districts.
- (5) The municipal share is based on the ratio of that member's pupil enrollment to the total pupil enrollment from all the member municipalities in the regional school district as of October 1 of the year proceeding the year for which the apportionment is being determined.
- (6) SOURCE: Monomoy Regional School District.
- (7) SOURCE: Barnstable County Treasurer. Environmental Protection Fund.

Authorized Unissued Debt and Prospective Financing

The Town currently has authorized unissued debt of \$32,871,037 consisting of \$11,035,000 for sewer improvements, \$10,500,000 for improvements to the Saquatucket Municipal Marina area, \$5,000,000 for the Muddy Creak culvert, \$2,445,650 for road improvements, \$1,500,387 for piers and a bulkhead at Wychmere Harbor, \$1,200,000 for improvements to the Cranberry Valley Golf Course facility, \$780,000 for land acquisition, \$310,000 for fire station renovations and \$100,000 for the Greensands well.

CONTRACTUAL OBLIGATIONS

Municipal contracts are generally limited to currently available appropriations. A Massachusetts 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, cases only when funds are available for the first fiscal year; obligations for succeeding fiscal years are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter 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.

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 entered into a long-term contract with SEMASS, a company that operates a waste-to-energy cogeneration facility in Rochester, Massachusetts. This facility handles approximately 70% of the solid waste generated in the Town. The Town pays a guaranteed fee under a 27 year contract. Harwich's contribution is based on its estimated annual volume of trash together with a surcharge for any amount over or under the annual estimated volume. However, the Town is not required to make payments to SEMASS during any periods when SEMASS is unable to accept the Town's solid waste.

RETIREMENT PLAN

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

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

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

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

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

The Town participates in the contributory retirement system of Barnstable County. The annual contributions of the retirement system for the most recent fiscal years are as follows:

<u>Year Ending</u>	<u>Contributory</u>
June 30, 2018 (Budgeted)	\$ 2,681,194
June 30, 2017	2,364,925
June 30, 2016	2,283,370
June 30, 2015	2,105,875
June 30, 2014	2,170,097
June 30, 2013	2,178,020

As of January 1, 2016, the total pension liability of the Barnstable County Retirement System was calculated to be \$1,563,442,019 and the market value of the assets was \$873,002,091, leaving an estimated net pension liability of \$652,986,555. Based on the current data, the System is 55.84% funded with an assumed rate of return of 7.625%. The Town's share of the net pension liability is \$14,262,018. The Town's allocable share of Barnstable County Retirement System's unfunded actuarial accrued liability (UAAL) is approximately 4.25%. The Town has accepted legislation to establish a fund to address this unfunded liability by June 30, 2028. The amount in this fund is \$2,146,108.

The Retirement System's current funding schedule amortizes its unfunded pension liability through fiscal 2036 as shown below.

Current Barnstable County Funding Schedule

(1) Fiscal Year Ended June 30,	(2) Employer Normal Cost	(3) Amortization of ERI (2002) Liability	(4) Amortization of ERI (2003) Liability	(5) Amortization of ERI (2010) Liability	(6) Amortization of Remaining Liability	(7) Plan Cost Without Retired County Sheriff Liability: (2)+(3)+(4) +(5)+(6)	(8) Amortization of Retired County Sheriff Liability	(9) Total County Sheriff Appropriation: (7)+(8)	(10) Total UAL at Beginning of Fiscal Year	(11) Increase Over Prior Appropriation
2017	\$14,756,545	\$426,336	\$200,586	\$262,965	\$40,295,785	\$55,942,217	\$1,359,250	\$57,301,467	\$677,424,379	-
2018	15,335,551	443,389	208,610	262,965	42,645,451	58,895,966	1,431,018	60,326,984	692,774,127	5.28%
2019	15,937,107	461,125	216,954	262,965	45,127,522	62,005,673	1,506,576	63,512,249	705,746,451	5.28%
2020	16,562,087	479,570	225,632	262,965	47,749,319	65,279,573	1,586,123	66,865,696	716,157,762	5.28%
2021	17,211,398	498,752	234,658	262,965	50,518,561	68,726,334	1,669,871	70,396,205	723,783,325	5.28%
2022	17,885,979	518,702	244,044	262,966	53,443,393	72,355,084	1,758,040	74,113,124	728,355,634	5.28%
2023	18,586,810	539,451	253,806	--	56,795,366	76,175,433	1,850,864	78,026,297	729,563,344	5.28%
2024	19,314,903	561,029	263,958	--	60,057,606	80,197,496	1,948,590	82,146,086	727,049,896	5.28%
2025	20,071,316	583,470	274,516	--	63,502,621	84,431,923	2,051,476	86,483,399	720,410,872	5.28%
2026	20,857,141	606,808	285,497	--	67,146,321	88,895,767	2,153,956	91,049,723	709,191,347	5.28%
2027	21,673,515	631,081	296,917	--	71,015,521	93,617,034	2,240,114	95,857,148	692,883,087	5.28%
2028	22,521,621	656,324	308,793	--	75,101,948	98,588,686	2,329,719	100,918,405	642,677,399	5.28%
2029	23,402,682	682,577	321,145	--	79,417,586	103,823,990	2,422,907	106,246,897	608,842,879	5.28%
2030	24,317,973	709,880	333,991	--	83,975,065	109,336,909	2,519,824	111,856,733	567,729,059	5.28%
2031	25,268,815	738,275	347,351	--	88,787,712	115,142,153	2,620,616	117,762,769	518,519,777	5.28%
2032	26,256,582	767,806	361,245	--	93,869,569	121,255,202	2,725,441	123,980,643	460,322,337	5.28%
2033	27,282,698	798,519	375,694	--	99,235,451	127,692,362	2,834,459	130,526,821	392,160,903	5.28%
2034	28,348,645	830,459	390,722	--	104,900,974	134,470,800	2,947,837	137,418,637	312,969,335	5.28%
2035	29,455,959	863,678	406,351	--	110,882,603	141,608,591	3,065,750	144,674,341	221,583,453	5.28%
2036	30,606,236	898,228	422,604	--	114,387,712	146,314,780	3,188,380	149,503,160	116,732,645	3.34%
2037	31,801,135	--	--	--	--	31,801,135	--	31,801,135	--	-78.73%
2038	33,042,376	--	--	--	--	33,042,376	--	33,042,376	--	3.90%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

Item (2) reflects 3.5% growth in payroll and 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to the generational mortality assumption.

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

2002 and 2003 ERI amortization payments calculated to increase 4.0% per year and 2010 ERI amortizations are level.

SOURCE: January 1, 2016 Barnstable County Retirement System Actuarial valuation. The Segal Group, Inc.

Other Post-Employment Benefits

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

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

Fiscal Year	Benefit Costs
2018 (budgeted)	\$ 1,978,125
2017	1,571,909
2016	1,709,053
2015	1,490,461
2014	1,668,166
2013	1,748,802

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 the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2009. The Town's latest actuarial valuation study of its non-pension, post-employment benefits is as of July 1, 2014 and

its unfunded actuarial accrued liability is approximately \$42,421,535, (assuming a 5.75% discount rate) and the annual required contribution is \$2,818,966 to fully fund this liability by June 30, 2038.

The Town created a special purpose Stabilization Fund for OPEB in 2008. Subsequent to that in 2013 the Town accepted the provisions of M.G.L. C.32B, s.20 to permit the creation of an OPEB Liability Trust Fund. The balance in the OPEB Stabilization Fund is \$2,847,044. The Town plans to add \$100,000 to this stabilization fund in fiscal 2018.

EMPLOYEE RELATIONS

The Town employs approximately 288 full-time and permanent part-time workers, of whom 47 are employed by the Police/Dispatch Department, 37 by the Fire Department, and the balance by other departments of the Town. 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. Of the full and part-time employees of the Town, 195 are represented by unions. Union contracts expire as follows:

Union	Department	Members	Contract Expires
Fire	Fire	33	6/30/18
Police (Federation)	Police	24	6/30/18
Police Dispatch	Dispatch	5	6/30/19
Police Superior Officers Assoc.	Police	7	6/30/19
Highway Association	Highway	31	6/30/20
Boston Lodge 264	Water	10	6/30/18
Harwich Employees Association	Various	68	6/30/17 (1)
Management Employees	Dept. Heads	17	6/30/18
		195	

(1) Currently in negotiations.

LITIGATION

At present there are a number of suits pending in which the Town is a defendant. In the opinion of Town Counsel, none of the pending litigation is considered likely to result, either individually or in the aggregate, in final judgments, which would materially affect the Town's financial position.

November 28, 2017

Town of Harwich, Massachusetts
/s/ Ms. Amy Bullock, Treasurer

TOWN OF HARWICH, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF HARWICH, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Harwich, Massachusetts

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 Harwich, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Harwich, Massachusetts, as of June 30, 2016, 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 on pages iii–x and the schedule of pension plan contributions, schedule of funding progress – Town's other post-employment benefit (OPEB) plan and the budgetary comparison information, on pages 39 – 43 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 September 5, 2017, on our consideration of the Town of Harwich, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Harwich, Massachusetts' internal control over financial reporting and compliance.



Norwell, Massachusetts

September 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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

Financial Highlights:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52.1 million (net position), an increase of approximately \$4.6 million from the prior year. The Town's net investment in capital assets and restricted net position was \$68.3 million and \$8.1 million respectively. The Town reported a deficit unrestricted net position of \$24.3 million at year end, primarily due to reporting of net other post-employment benefits (OPEB) obligation of \$17.6 million and net pension liability of \$26.6 million.
- The total cost of all Town services for fiscal year 2016 was \$64.7 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.3 million, or 7.6% of general fund expenditures, a decrease of approximately \$1.3 million.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board (GASB) is presented following the financial statements and related notes to provide additional analysis.

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 assets plus deferred outflow of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the Town. 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 reader should consider other non-financial factors, such as the condition of the Town's infrastructure and changes to the property tax base, in order to assess the overall health of the Town.

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 and earned but unused vacation leave).

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and employee benefits. The Town's business-type activities are the water fund operations.

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 of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. This approach is the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund. The Town's Community Preservation Fund has been presented as a major fund. The remaining funds are combined into other governmental funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Finance Director/Town Accountant's office.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

Proprietary Funds: *Proprietary funds* focus on the determination of operating income, changes in net position and cash flows. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Town's water fund operations.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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 statement because the resources of those funds are not available to support the Town's programs.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

Notes to the 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 follow the basic financial statements described above.

Required supplementary information: The supplementary information presented as required by governmental accounting standards, includes certain budgetary comparison information, employer pension plan contributions and information related to the Town's retiree benefits plan for health care (OPEB).

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Harwich, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34.8 million and \$17.3 million for the governmental and business-type activities, respectively, at the close of the most recent fiscal year as demonstrated in the following table.

	FY 2016 Governmental Activities	FY 2015 Governmental Activities	FY 2016 Business-type Activities	FY 2015 Business-type Activities
Current assets	\$ 28,171,898	\$ 27,804,933	\$ 6,780,090	\$ 5,851,923
Capital assets	<u>72,649,158</u>	<u>68,001,322</u>	<u>19,225,008</u>	<u>20,073,413</u>
Total assets	100,821,056	95,806,255	26,005,098	25,925,336
Deferred outflows of resources	<u>2,325,890</u>	<u>252,524</u>	<u>171,787</u>	<u>181,603</u>
Total assets and deferred outflows	<u>\$ 103,146,946</u>	<u>\$ 96,058,779</u>	<u>\$ 26,176,885</u>	<u>\$ 26,106,939</u>
Current liabilities	\$ 8,924,848	\$ 4,018,400	\$ 811,150	\$ 1,073,600
Long-term liabilities	<u>57,000,312</u>	<u>58,920,572</u>	<u>7,896,056</u>	<u>8,437,232</u>
Total liabilities	65,925,160	62,938,972	8,707,206	9,510,832
Deferred inflows of resources	2,419,552	2,022,998	200,406	211,029
Net position:				
Net investment in capital assets	57,591,158	53,791,322	10,706,776	11,235,181
Restricted	8,071,863	8,549,230		
Unrestricted	<u>(30,860,787)</u>	<u>(31,243,743)</u>	<u>6,562,497</u>	<u>5,149,897</u>
Total net position	<u>34,802,234</u>	<u>31,096,809</u>	<u>17,269,273</u>	<u>16,385,078</u>
Total liabilities, deferred inflows and net position	<u>\$ 103,146,946</u>	<u>\$ 96,058,779</u>	<u>\$ 26,176,885</u>	<u>\$ 26,106,939</u>

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Included within the governmental activities current assets are \$19.6 million in cash and investments, \$8.5 million of receivable and \$138,000 of inventories. Included within the business-type activity current assets are \$4.8 million in cash and \$2 million of receivables.

Deferred outflows of resources for the Town's governmental and business-type activities were approximately \$2.3 million and \$170,000 respectively. These amounts represented deferred amounts on the issuance of refunding bonds during the year which are required to be amortized over future periods, as well as the differences between projected and actual earnings associated with the Town's participation in the retirement system.

Current liabilities for governmental activities include \$2 million of accounts and salaries payable, \$136,000 in accrued interest, \$380,000 in provision for refund of paid taxes, \$3.3 million in notes payable, \$306,000 in other liabilities and \$2.8 million of long term bonds due in fiscal year 2017. Current liabilities for business type activity include \$42,000 of accounts and salaries payable, \$71,000 in accrued interest, \$150,000 in notes payable and \$546,000 of long term bonds due in fiscal year 2017.

Governmental activity long-term liabilities include \$11.9 million in general obligation bonds, \$17.6 million for net other post-employment benefits (OPEB) obligations, \$1.1 million for estimated compensated absences, \$259,000 for estimated future landfill monitoring and related costs, and \$26.6 million for net pension obligations. Business-type activity long term liabilities include \$7.8 million in general obligation bonds and \$74,000 for estimated compensated absences.

Deferred inflows of resources for the Town's governmental and business-type activities were \$2.4 million and \$200,000 respectively. These amounts represented unamortized bond premiums associated with issuance of refunding bonds, deferred revenue associated with state highway awards to be received in future periods and changes in proportionate related to pension obligations.

The largest portion of the Town's combined net position of \$68.3 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); net of any related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's 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 combined net position of \$8.1 million represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors reported a deficit balance of \$24.3 million, primarily due to a requirement to report net other post-employment benefits (OPEB) and the net pension liability.

The Town's governmental and business-type activities' net position increased from the previous year of approximately \$3.7 million and \$884,000 respectively. A summary of revenues and major functional expenditures is presented below. Certain reclassifications have been made to current year amounts to conform to current year amounts. Prior year amounts have not been restated.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

	FY 2016 Governmental <u>Activities</u>	FY 2015 Governmental <u>Activities</u>	FY 2016 Business-type <u>Activities</u>	FY 2015 Business-type <u>Activities</u>
Revenues:				
Charges for services	\$ 8,736,405	\$ 8,134,615	\$ 4,948,020	\$ 4,722,072
Operating grants and contributions	1,899,658	2,034,958		
Capital grants and contributions	4,803,000	1,862,815		
General revenues:				
Property taxes	44,542,691	43,534,346		
Excise taxes	3,240,735	2,918,553		
Penalties and interest	314,847	325,349		
Grants and contributions not restricted and miscellaneous	668,191	578,188		
Investment income	108,189	40,044	963	958
Total revenues	<u>64,313,716</u>	<u>59,428,868</u>	<u>4,948,983</u>	<u>4,723,030</u>
Expenses:				
General government	3,534,506	2,540,534		
Public safety	9,072,730	8,712,867		
Education	25,225,308	22,333,529		
Public works	8,042,027	8,993,671	4,064,788	4,017,528
Human services	1,428,251	1,483,389		
Culture and recreation	4,028,043	3,636,368		
Interest and other costs	518,438	624,347		
Employee benefits and other insurance	8,222,475	7,359,800		
State and county charges	<u>536,513</u>	<u>642,174</u>	<u>-</u>	<u>-</u>
Total expenses	<u>60,608,291</u>	<u>56,326,679</u>	<u>4,064,788</u>	<u>4,017,528</u>
Transfers:				
Contribution to OPEB Trust Fund	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 3,705,425</u>	<u>\$ 3,002,189</u>	<u>\$ 884,195</u>	<u>\$ 705,502</u>

Key elements of this increase are as follows:

Revenues:

- ◆ Property taxes represent 69.3% of the Town's governmental activities' revenue and increased approximately \$1 million over the previous year. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth, as well as debt and capital exclusions authorized by the Town voters.
- ◆ Charges for services of \$8.7 million, represents nearly 13.6% of the Town's governmental activity revenue. This includes recreation fees of \$3.4 million, trash fees of \$2.7 million, and ambulance fees of 1.5 million.
- ◆ Capital grants and contributions of \$4.8 million represented 7.5% of the Town's governmental revenues. The increase of \$2.9 million was due primarily to the Muddy Creek Restoration Capital Project.

Expenses:

- ◆ Total governmental expenses increased by \$4.3 million over fiscal year 2015. The Town's most significant increases, approximately \$2.9 million were related to increases in education related expenditures. Total education expenditures of \$25.2 million, represent nearly 41.7% of the Town's governmental activities. These costs related primarily to the Town's assessments from the Monomoy Regional School District and Cape Cod Vocational High School.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Financial Analysis of the Government's Funds

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

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14 million, a decrease of \$1.6 million from the prior year, primarily due to an increase in capital project expenditures that are to be financed through long-term borrowings in subsequent years. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable balance of \$137,000, restricted fund balance of \$7.6 million, committed fund balance of \$5.6 million; assigned fund balance of \$191,000 and unassigned fund balance of \$521,000.

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$9.7 million, an increase of \$992,000 from the previous year. Committed fund balance of \$5.1 million represents 53% of total general fund balance. Unassigned fund balance of \$4.3 million represents 44.4% of total general fund balance, and includes \$1.1 million which the Town maintains in a stabilization fund. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Unassigned fund balance represents approximately 7.6% of total general fund expenditures and revenues, while total general fund balance represents 17.2% of the same amounts.

General Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. The difference between the original expenditure budget of \$58.3 million and the amended final budget of \$57.1 million is approximately \$1.2 million. The net change is due to additional appropriations at a special town meeting of \$250,000 to cover snow and ice deficits and approximately, \$1.5 million of continuing appropriations (warrant articles) and encumbrances being carried into future period and reducing the original budget.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a seven-year Capital Improvement Plan (CIP) that is used as a guide for future capital expenditures.

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2016 is \$72.6 million, which was net of accumulated depreciation of \$112.6 million. The Town's investment in capital assets for business-type activities (water fund) as of June 30, 2016 is \$19.2 million, which is net of accumulated depreciation of \$28.4 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment.

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in thousands):

Capital assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 23,162	\$ 21,486	\$ 1,506	\$ 1,506
Construction in Progress	706	2,240		
Buildings and related improvements	21,858	23,578	6,137	6,298
Improvements other than buildings	2,805	1,553		
Equipment, machinery, vehicles	3,430	3,186	1,617	1,561
Infrastructure	<u>20,688</u>	<u>15,958</u>	<u>9,965</u>	<u>10,708</u>
	<u>\$ 72,649</u>	<u>\$ 68,001</u>	<u>\$ 19,225</u>	<u>\$ 20,073</u>

Significant capital asset activity for the fiscal year included the following:

- Infrastructure additions of \$6.8 million, inclusive of \$411,000 placed into service from construction in progress.
- Improvements other than buildings additions of \$1.6 million, inclusive of \$1.2 million placed into service from construction in progress.
- \$1 million of various machinery and equipment.

Debt obligations - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$14.1 million and \$8.4 million for governmental and business type activities, respectively. This is compared to \$16.9 million and \$8.8 million, respectively, last year. All debt is a general obligation of the Town.

The Town maintains a AA+ bond rating from Standard & Poor's Investor's Service.

Economic Factors and Next Year's Budgets and Rates

- The Town's fiscal year 2017 general fund operating budget was approximately \$58 million, an increase of \$2 million, or 3.6% over fiscal year 2016 operating budget. The operating budget includes approximately \$23.8 million and \$1.4 million in assessments to the Monomoy Regional School District and Cape Cod Regional Technical High School respectively. The increase is due primarily to increases in debt and operating assessments for Monomoy Regional School District.
- The total real estate and personal property tax levy approved to be raised for fiscal year 2017 was \$44.7 million, compared to \$43.7 million the prior year.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2016

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 the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Harwich, Attn: Finance Director/Town Accountant, 732 Main St., Harwich, MA 02645.

BASIC FINANCIAL STATEMENTS

TOWN OF HARWICH, MASSACHUSETTS

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 18,301,613	\$ 4,755,059	\$ 23,056,672
Investments	1,252,436		1,252,436
Receivables, net of allowance for uncollectible	8,373,010	2,025,031	10,398,041
Due from fiduciary funds	106,632		106,632
Inventories	138,207		138,207
Capital assets, net of accumulated depreciation	<u>72,649,158</u>	<u>19,225,008</u>	<u>91,874,166</u>
Total assets	100,821,056	26,005,098	126,826,154
DEFERRED OUTFLOWS OF RESOURCES			
Net difference between projected and actual pension earnings	2,125,962		2,125,962
Deferred amount on bond refunding	<u>199,928</u>	<u>171,787</u>	<u>371,715</u>
Total deferred outflows of resources	<u>2,325,890</u>	<u>171,787</u>	<u>2,497,677</u>
Total assets and deferred outflows of resources	<u>\$ 103,146,946</u>	<u>\$ 26,176,885</u>	<u>\$ 129,323,831</u>
LIABILITIES			
Accounts payable	\$ 1,232,032	\$ 100	\$ 1,232,132
Salaries and withholding payable	780,617	42,004	822,621
Accrued interest payable	136,481	71,195	207,676
Provision for refund of paid taxes	380,400		380,400
Notes payable	3,293,000	150,000	3,443,000
Other current liabilities	306,460	1,875	308,335
Noncurrent liabilities:			
Due within one year	2,795,858	545,976	3,341,834
Due in more than one year	<u>57,000,312</u>	<u>7,896,056</u>	<u>64,896,368</u>
Total liabilities	65,925,160	8,707,206	74,632,366
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	1,983,539		1,983,539
Change in proportion related to pension obligation	141,199		141,199
Unamortized bond premiums	<u>294,814</u>	<u>200,406</u>	<u>495,220</u>
Total deferred inflows of resources	2,419,552	200,406	2,619,958
NET POSITION			
Net investment in capital assets	57,591,158	10,706,776	68,297,934
Restricted	8,071,863		8,071,863
Unrestricted	<u>(30,860,787)</u>	<u>6,562,497</u>	<u>(24,298,290)</u>
Total net position	<u>34,802,234</u>	<u>17,269,273</u>	<u>52,071,507</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 103,146,946</u>	<u>\$ 26,176,885</u>	<u>\$ 129,323,831</u>

The accompanying notes are integral part of these financial statements.

TOWN OF HARWICH, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 3,534,506	\$ 510,546	\$ 778,552	\$	\$ (2,245,408)	\$	\$ (2,245,408)
Public safety	9,072,730	2,023,338	33,793	37,106	(6,978,493)		(6,978,493)
Education	25,225,308				(25,225,308)		(25,225,308)
Public works	8,042,027	2,663,526	34,403	4,765,894	(578,204)		(578,204)
Human services	1,428,251	202,849	520,213		(705,189)		(705,189)
Culture and recreation	4,028,043	3,336,146	269,264		(422,633)		(422,633)
Employee benefits and other insurance	8,222,475		34,591		(8,187,884)		(8,187,884)
Interest and other costs	518,438		228,842		(289,596)		(289,596)
State and county charges	536,513				(536,513)		(536,513)
Total governmental activities	60,608,291	8,736,405	1,899,658	4,803,000	(45,169,228)		(45,169,228)
Business-type activities							
Water	4,064,788	4,948,020				883,232	883,232
Total business-type activities	4,064,788	4,948,020				883,232	883,232
Total primary government	\$ 64,673,079	\$ 13,684,425	\$ 1,899,658	\$ 4,803,000	(45,169,228)	883,232	(44,285,996)
General revenues:							
Property taxes and surcharge, net of allowances for uncollectibles					44,542,691		44,542,691
Excise taxes, net of allowances for uncollectibles					3,240,735		3,240,735
Penalties and interest on taxes					314,847		314,847
Grants, contributions and revenues not restricted to specific programs					668,191		668,191
Investment earnings					108,189	963	109,152
Total general revenues					48,874,653	963	48,875,616
Change in net position					3,705,425	884,195	4,589,620
Net position - beginning of year					31,096,809	16,385,078	47,481,887
Net position - end of year					\$ 34,802,234	\$ 17,269,273	\$ 52,071,507

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

TOWN OF HARWICH, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Community Preservation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,981,057	\$ 3,472,389	\$ 3,848,167	\$ 18,301,613
Investments	430,410		822,026	1,252,436
Receivables	6,738,112	72,772	2,636,026	9,446,910
Due from fiduciary funds	106,632			106,632
Inventories	765		137,442	138,207
Total assets	<u>\$ 18,256,976</u>	<u>\$ 3,545,161</u>	<u>\$ 7,443,661</u>	<u>\$ 29,245,798</u>
LIABILITIES				
Accounts payable	\$ 557,507		\$ 674,525	\$ 1,232,032
Salaries and withholding payable	780,617			780,617
Provision for refund of paid taxes	380,400			380,400
Notes payable			3,293,000	3,293,000
Other liabilities	306,460			306,460
Total liabilities	2,024,984		3,967,525	5,992,509
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	6,521,254	72,772	2,636,026	9,230,052
Total deferred inflows of resources	6,521,254	72,772	2,636,026	9,230,052
FUND BALANCE				
Nonspendable			137,442	137,442
Restricted	59,735	3,472,389	4,043,139	7,575,263
Committed	5,147,433		450,958	5,598,391
Assigned	191,116			191,116
Unassigned	4,312,454		(3,791,429)	521,025
Total fund balance	<u>9,710,738</u>	<u>3,472,389</u>	<u>840,110</u>	<u>14,023,237</u>
Total liabilities, deferred inflow of resources, and fund balance	<u>\$ 18,256,976</u>	<u>\$ 3,545,161</u>	<u>\$ 7,443,661</u>	<u>\$ 29,245,798</u>

Net position for governmental activities reported in the statement of net position is different because:

Total fund balance of governmental funds	\$ 14,023,237
Capital assets used in governmental activities are not financial resources and are not reported in funds.	
The cost of the assets is \$185,247,463 net of accumulated depreciation of \$112,598,305.	72,649,158
Certain deferred inflows of resources are not available to pay current-period expenditures and are deferred in funds, net of allowances for uncollectible amounts.	6,172,613
Long term liabilities, including debt, compensated absences, net pension obligation, net OPEB obligations and others are not due and payable in the current period and are not included in funds.	(59,796,170)
Reporting of liabilities on full accrual basis requires accrual of interest on debt and deferred outflows/inflows of resources associated with debt issuance.	(231,367)
Certain deferred outflows and deferred inflows of resources (net) associated with long term obligations are not recorded in funds.	<u>1,984,763</u>
Net position of governmental activities	<u>\$ 34,802,234</u>

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

TOWN OF HARWICH, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes and payments in lieu	\$ 43,028,576	\$ 1,269,770	\$	\$ 44,298,346
Excise taxes	3,109,913		25,148	3,135,061
Licenses, fees and permits	1,777,026			1,777,026
Penalties and interest	293,182	866	20,799	314,847
Investment earnings	43,616	4,065	60,508	108,189
Charges for services	1,474,972		644,267	2,119,239
Golf course fees	1,841,659			1,841,659
Wharfage fees	34,228			34,228
Sanitation fees	2,455,995			2,455,995
Recreational, and other departmental	898,739		715,616	1,614,355
Contributions			38,733	38,733
Intergovernmental	<u>1,639,593</u>	<u>415,040</u>	<u>4,951,121</u>	<u>7,005,754</u>
Total revenues	56,597,499	1,689,741	6,456,192	64,743,432
Expenditures:				
Current:				
General government	2,977,653		120,216	3,097,869
Public safety	8,827,276		82,710	8,909,986
Education	24,235,546			24,235,546
Public works	5,609,423	1,317,472	6,484,218	13,411,113
Human services	1,144,168		103,658	1,247,826
Culture and recreation	3,461,231		1,633,652	5,094,883
Employee and other insurance	6,440,067		29,525	6,469,592
State and county assessments	536,513			536,513
Debt service:				
Principal	2,802,358			2,802,358
Interest and other charges	<u>548,892</u>			<u>548,892</u>
Total expenditures	<u>56,583,127</u>	<u>1,317,472</u>	<u>8,453,979</u>	<u>66,354,578</u>
Excess (deficiency) of revenues over expenditures	14,372	372,269	(1,997,787)	(1,611,146)
Other financing sources (uses):				
Transfers in	1,238,095		260,000	1,498,095
Transfers out	<u>(260,000)</u>	<u>(662,275)</u>	<u>(575,820)</u>	<u>(1,498,095)</u>
Total other financing sources and uses	<u>978,095</u>	<u>(662,275)</u>	<u>(315,820)</u>	
Net change in fund balances	992,467	(290,006)	(2,313,607)	(1,611,146)
Fund balances - beginning, restated	<u>8,718,271</u>	<u>3,762,395</u>	<u>3,153,717</u>	<u>15,634,383</u>
Fund balances - ending	<u>\$ 9,710,738</u>	<u>\$ 3,472,389</u>	<u>\$ 840,110</u>	<u>\$ 14,023,237</u>

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

TOWN OF HARWICH, MASSACHUSETTS

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
to Statement of Activities
For the Year Ended June 30, 2016

Revenues and other financing sources (under)	
expenditures and other financing uses - governmental funds	\$ (1,611,146)
Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Capital outlays during the fiscal year	9,361,503
Depreciation recorded for the fiscal year	(4,713,667)
Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.	
Net change in deferred revenue	87,441
Net change in allowance for uncollectible accounts	(517,153)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long-term debt	2,802,358
Amortization on bond premiums	16,379
Deferred amount on bond refunding	(11,424)
The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.	
Change in accrued interest expense	25,499
Certain deferred outflows/inflows of resources are recognized on the government-wide financial statements, to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements.	
Net difference between projected and actual pension earnings	2,084,790
Change in proportion related to pension obligations	(141,199)
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The change in these liabilities is reflected as an expense in the Statement of Activities.	
Compensated absences	(48,400)
Estimated postclosure landfill monitoring costs	18,500
Net Pension Liability	(2,582,247)
Other post employment obligations (OPEB)	<u>(1,065,809)</u>
Change in net position of governmental activities	\$ <u>3,705,425</u>

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

TOWN OF HARWICH, MASSACHUSETTS

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities
	<u>Water Enterprise</u>
ASSETS	
Cash and cash equivalents	\$ 4,755,059
Receivable, net of allowance for uncollectibles	2,025,031
Capital assets, net of accumulated depreciation	<u>19,225,008</u>
Total assets	26,005,098
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on bond refunding	<u>171,787</u>
Total deferred outflow of resources	<u>171,787</u>
Total assets and deferred outflows of resources	<u><u>\$ 26,176,885</u></u>
LIABILITIES	
Accounts payable	\$ 100
Salaries and wages and withholdings payable	42,004
Notes payable	150,000
Accrued interest payable	71,195
Other liabilities	1,875
Non-current liabilities:	
Due within one year	545,976
Due in more than one year	<u>7,896,056</u>
Total liabilities	<u>8,707,206</u>
DEFERRED INFLOWS OF RESOURCES	
Unamortized bond premiums	<u>200,406</u>
Total deferred inflow of resources	200,406
NET POSITION	
Net investment in capital assets	10,706,776
Unrestricted	<u>6,562,497</u>
Total net position	<u>17,269,273</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 26,176,885</u></u>

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

TOWN OF HARWICH, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Business-type Activities</u>
Operating revenues:	
Charges for services	\$ 4,867,691
Departmental and other	<u>80,329</u>
Total operating revenues	4,948,020
Operating expenses:	
Salaries, wages and employee benefits	1,740,792
Repairs, maintenance, supplies and services	962,476
Depreciation	<u>1,133,707</u>
Total operating expenses	<u>3,836,975</u>
Operating income	1,111,045
Non-operating revenues (expenses):	
Interest and investment revenue	963
Interest expense, net amortization	<u>(227,813)</u>
Total non-operating revenue (expenses)	<u>(226,850)</u>
Change in net position	884,195
Net position at beginning of year	<u>16,385,078</u>
Net position at end of year	<u><u>\$ 17,269,273</u></u>

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

TOWN OF HARWICH, MASSACHUSETTS
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities
	Water Enterprise Totals
Cash flows from operating activities	
Receipts from customers, users and others	\$ 4,916,776
Payments to vendors	(1,225,579)
Payments to employees	(1,730,837)
Net cash provided by operating activities	1,960,360
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(470,000)
Proceeds from temporary borrowing	150,000
Payment of temporary borrowings	(200,000)
Payment on capital leases	(48,852)
Capital asset acquisitions	(285,302)
Payment of interest expense	(214,083)
Net cash provided used for capital and related financing activities	(1,068,237)
Net change in cash and cash equivalents	892,123
Cash and cash equivalents at beginning of year	3,862,936
Cash and cash equivalents at end of year	\$ 4,755,059
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,111,045
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,133,707
Changes in assets and liabilities:	
User fees receivable, net of allowance for collectibles	(36,044)
Accounts payable	(263,103)
Payroll payable and amounts withheld from employees	14,755
Total adjustments	849,315
Net cash provided by operating activities	\$ 1,960,360
Supplementary schedule of noncash capital and related financing activities:	
Amortization of bond premiums	\$ 10,623
Amortization of deferred amount on bond refunding	(9,816)
	\$ 807

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

TOWN OF HARWICH, MASSACHUSETTS

Statement of Fiduciary Net Position -

Fiduciary Funds

June 30, 2016

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$ 104,977	\$ 10,586	\$ 6,997
Investments	362,645	624,842	
Accounts receivable - police details			43,956
Total assets	<u>\$ 467,622</u>	<u>\$ 635,428</u>	<u>\$ 50,953</u>
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$	\$	\$ 44,321
Due to General Fund		100,000	6,632
Total liabilities		100,000	<u>\$ 50,953</u>
<u>NET POSITION</u>			
Amounts held in trust	467,622	535,428	
Total liabilities and net position	<u>\$ 467,622</u>	<u>\$ 635,428</u>	

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

TOWN OF HARWICH, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2016

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund
Additions		
Contributions	\$	\$ 100,000
Interest, dividends and market value change	5,182	30,755
Total additions	5,182	130,755
Deductions:		
Human services	3,785	
Total deductions	3,785	
Change in net position	1,397	130,755
Net position - beginning	466,225	404,673
Net position - ending	\$ 467,622	\$ 535,428

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF HARWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2016

Note 1. Organization and Reporting Entity

A. Organization

The Town of Harwich, Massachusetts (the Town), was incorporated in 1694. The Town operates under a Town Meeting form of government. The Town's operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a golf course; operates facilities at three harbors; operates a water system. The Town belongs to a regional school district for education.

B. Reporting Entity

General

The accompanying financial statements present the Town of Harwich, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's significant joint ventures, their purpose, and the annual assessments paid for services rendered during 2016. Financial statements and other related information may be obtained from each of the joint ventures by contacting each of them directly. The Town also belongs to cost sharing, joint purchasing group for health insurance and retirement benefits. See the accompanying notes.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2016 payments</u>
Monomoy Regional School District 425 Crowell Road Chatham, MA 02633	To provide education for grades K-12 For Towns of Harwich and Chatham	\$ 22,843,944
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide secondary vocational education for member Towns	\$ 1,330,607
Cape Cod Commission 3225 Main Street P.O. Box 226 Barnstable, MA 02630	Regional land use planning agency	\$ 198,560
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide public transportation	\$ 95,445
Town Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide veterans' services	\$ 33,327
Pleasant Bay Resource Management Alliance P.O. Box 1584 Harwich, MA 02645	To protect the vast natural resources of the bay	\$ 16,920

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The Monomoy Regional School District (the District) is governed by an eight (8) member school committee consisting of four (4) elected representatives from each of the two member towns. The District is organized and operated pursuant to Massachusetts General Laws and a regional agreement. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating, capital, transportation and debt service costs.

The Cape Cod Regional Technical High School (the District) is governed by a twenty-two (22) member school committee elected from the twelve (12) member towns. The District is organized and operated pursuant to Massachusetts General Laws and a regional agreement. The Town of Harwich has two (2) representatives on the District's school committee. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating, capital, transportation and debt service costs.

Related Organizations

The Harwich Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major and other funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, library and recreation, public works, Town's participation in regional schools (education), and general administrative services are classified as governmental activities. The Town's water operations and related capital projects are classified as business-type activities.

Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Town's net position is reported in three parts—net investment in capital assets, restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue.

Certain costs, such as property and liability insurance, employee fringe benefit costs, among others are not allocated among the Town's functions and are included in employee benefits and other insurance expenses in the Statement of Activities.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Government Accounting Standards Board (GASB) pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements as "Other Governmental Funds".

The following governmental fund types which may be used by the Town:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds available to the Town:

Major Funds:

- General Fund is the primary operating fund of the Town. It is used to account for and report all financial resources not accounted for and reported in another fund.
- Community Preservation Fund is a special revenue fund used to account for and report financial resources restricted or committed to expenditure for activities related to open space, historic resources and community housing. Financial resources consist primarily of property tax surcharge and contributions from the Commonwealth of Massachusetts.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Other Governmental Funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the other governmental funds column of 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 expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes 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. Acquisition of other capital assets are recorded in the fund from which resources were utilized.
- Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds available to the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs. Although debt related to the water fund is not secured solely with water fund net revenues, the Town has elected to report it as an enterprise fund for financial reporting purposes as it is maintained in accordance with state guidance.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

Fiduciary Funds:

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, other and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds available to the Town:

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal, state agencies and other third parties. Agency funds are custodial in nature and do not involve measurement of results of operations.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the 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 property tax revenues are considered available if they are collected within 60 days after fiscal year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

C. Fair Value Measurement

The Town measures assets and liabilities at fair value according to the hierarchy by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following are levels considered:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- Level 3 inputs are unobservable for the asset or liability.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

D. Cash, Cash Equivalents and Investments

The Town has not adopted formal deposit and investment policies. The Town Treasurer manages funds pursuant to Massachusetts General Laws.

The Town maintains a cash pool that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements as "cash and cash equivalents". Massachusetts General Laws and local provisions place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. For the purpose of the financial statements cash and cash equivalents include all demand, certificates of deposit and savings accounts.

Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional cash and investment note disclosures are presented in these Notes.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

F. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes, motor vehicle and boat excise three or more years old as uncollectible for financial reporting purposes. The Town estimates 2% of outstanding water charges to be uncollectible. The Town estimates uncollectible ambulance charges based upon available trend data. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectible.

G. Inventories

Inventory items are valued at cost (first in, first out) or market. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than consumed. Inventories consists primarily of golf related items to be sold at the golf course and are reported in a special revenue fund.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Government-wide Statements

In the government-wide financial statements, capital assets, including intangible assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002. The Town maintains a general capitalization threshold of \$25,000 per asset.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	25-50 years
➤ Improvements	10-50 years
➤ Machinery and Equipment	3-20 years
➤ Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

J. Liabilities

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries and wages, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, capital leases, compensated absences, estimated landfill post-closure monitoring other post-employment obligations, and net pension liabilities.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

K. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements and in the business-type activities.

L. Equity Classifications

Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The Town utilizes resources which have been restricted prior to utilizing unrestricted resources. Net position is displayed in the following three components:

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town does not maintain any minimum fund balance policies. The Town spends restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest decision making (Town Meeting) and requires such approval for any modification or rescission.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

- Assigned fund balance – consist of amounts that are constrained by the Town’s intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) a body, or official to which the governing body has delegated the authority to assigned amounts to be used for specific purposes. Amounts may be assigned by Town Meeting, Board of Selectmen, or other boards and officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

N. Total Columns

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

Note 3. Stewardship, Compliance and Accountability

A. Property Tax Calendar and Limitations

Real and personal property taxes are based on values assessed as of each January 1 and are due on a quarterly basis during the fiscal year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as “Proposition 2 ½” limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls (“new growth”). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

The Town maintains a Community Preservation Fund, in accordance with Massachusetts General Laws, which mandates these funds be spent in the following areas: open space, affordable housing and historic resources. Appropriations are made via Town Meeting vote. A 3% surcharge is added to the real estate tax bill, and contributions are potentially available by the state annually.

The Town pays an annual tax as a member of Barnstable County, which is levied annually by the County Commissioners. The County tax is apportioned and assessed upon the towns comprising the County. The apportionment is based upon the equalized valuations of each town as of every July 1. County taxes are normally due on the subsequent November 1 and May 1. The County tax paid for fiscal year 2016 was \$188,778.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town are prepared under the direction of the Board of Selectmen. Education budgets are prepared under the direction of the respective regional school committees. Town assessments must be accepted by Town Meeting. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Budgetary information has been presented as required supplementary information to these financial statements.

C. Fund Equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2016, the classification of the Town's fund balances can be detailed as noted in the table below:

The Town's stabilization fund is reported with the General fund since it is designed to maintain funds set aside by town meeting votes, and is not funded by a specific revenue source. In accordance with Massachusetts General Law Chapter 40, Section 5B, for the purpose of creating one or more stabilization funds, towns may appropriate in any year an amount not exceeding, in the aggregate, 10% of the amount raised in the preceding fiscal year by taxation of real estate and personal property and the aggregate amount in such funds may not exceed 10% of the equalized valuation. At annual or special town meeting the Town with two-thirds vote may create a stabilization fund, specify or change the purpose of any stabilization fund, and appropriate into or out of any such fund. The Town's stabilization fund maintained a balance of \$1,109,415 at June 30, 2016.

Deficit unassigned fund balance in the amount of \$3,791,429 for the Town's other governmental funds consisted of highway and other capital projects for which permanent financing will be obtained in subsequent periods, as well as reimbursements from certain grants. Certain receivables were not recorded as of June 30, 2016; however, the Town received approximately \$1.2 million reimbursement on the Muddy Creek grant project in July, 2016.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	General Fund	Community Preservation Fund	Other Governmental Funds	Total
Nonspendable:				
Inventories	\$ _____.	\$ _____.	\$ 137,442	\$ 137,442
Subtotal			137,442	137,442
Restricted:				
General government			1,647,621	1,647,621
Public safety			199,730	199,730
Education			11,948	11,948
Public works			111,890	111,890
Human services			541,640	541,640
Culture and recreation			1,530,310	1,530,310
Community preservation		3,404,374		3,404,374
Debt service	59,735	68,015	_____.	127,750
Subtotal	59,735	3,472,389	4,043,139	7,575,263
Committed:				
General government	2,627,766		61,652	2,689,418
Public safety	541,952		12,065	554,017
Education	224,724			224,724
Public works	643,170		103,592	746,762
Human services	1,999		4,797	6,796
Culture & recreation	982,822		268,852	1,251,674
Other	125,000	_____.	_____.	125,000
Subtotal	5,147,433		450,958	5,598,391
Assigned:				
General government	79,964			79,964
Public safety	24,550			24,550
Education	64,004			64,004
Public Works	1,966			1,966
Human services	6,726			6,726
Culture and recreation	13,906	_____.	_____.	13,906
Subtotal	191,116			191,116
Unassigned	4,312,454	_____.	(3,791,429)	521,025
Total	<u>\$ 9,710,738</u>	<u>\$ 3,472,389</u>	<u>\$ 840,110</u>	<u>\$ 14,023,237</u>

D. Restricted Net Position

Restricted net position on the government-wide statement of net position consists of the following:

Capital Project Funds	\$ 147,989
Special Revenue Funds:	
Community Preservation Fund	3,472,389
Other special revenue funds	4,451,485
Total restricted net position	<u>\$ 8,071,863</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 4. Cash, Cash Equivalents and Investments

Massachusetts General Laws, Chapter 44, Sections 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. The Town has not adopted any formalized depository and investment policies.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2016 deposits totaled \$23,849,292 and had a carrying amount of \$23,179,232. Of the deposit amounts, \$7,824,923 was exposed to custodial credit risk at June 30, 2016 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts represents outstanding checks, deposits in transit and other reconciling items.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have a depository and investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy regarding interest rate risk. The approximate maturities of the Town's investments are disclosed in the following table:

<u>Type of Investment</u>	<u>Amount</u>	<u>Measurement</u>	<u>None</u>	<u>Less 1 year</u>	<u>Maturities</u>		<u>Total</u>
					<u>1-5 years</u>	<u>6-10 years</u>	
Governmental activities							
U.S. obligations	\$ 524,540	Level 1	\$	\$ 101,108	\$ 262,107	\$ 161,325	\$ 524,540
Equities	676,523	Level 1	676,523				676,523
Mutual funds-bonds	51,373	Level 1		25,103	26,270		51,373
Total governmental activities	<u>\$ 1,252,436</u>		<u>\$ 676,523</u>	<u>\$ 126,211</u>	<u>\$ 288,377</u>	<u>\$ 161,325</u>	<u>\$ 1,252,436</u>
Fiduciary activities							
Equities	\$ 448,461	Level 1	\$ 448,461				
Mutual funds-bonds	62,137	Level 1	62,137				
Mutual funds-fixed income	278,994	Level 1	278,994				
Other indexed funds	<u>197,895</u>	Level 1	<u>197,895</u>				
Total fiduciary activities	<u>\$ 987,487</u>		<u>\$ 987,487</u>				

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the following table. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The Town does not have an investment policy limiting its investment choices. The certificates of deposit are covered by depository insurance. The following table discloses the credit risk associated with the Town's investments using Standard & Poor's rating classifications as applicable:

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

<u>Investment Type</u>	<u>Amount</u>	<u>AAA</u>	<u>BAA</u>	<u>Not Applicable or not rated</u>
Governmental activities:				
U.S. obligations	\$ 524,540	\$ 524,540	\$	\$
Equities	676,523			676,523
Mutual funds-bonds	51,373	.	51,373	-
Total governmental activities	<u>\$ 1,252,436</u>	<u>\$ 524,540</u>	<u>\$ 51,373</u>	<u>\$ 676,523</u>
Fiduciary activities				
Equities	\$ 448,461	\$	\$	\$ 448,461
Mutual funds-bonds	62,137			62,137
Mutual funds-fixed income	278,994			278,994
Other indexed funds	197,895	-	.	197,895
Total fiduciary activities	<u>\$ 987,487</u>	<u>\$</u>	<u>\$</u>	<u>\$ 987,487</u>

Concentration of credit risk – The Town does not have an investment policy limiting the amount that can be invested in any one issuer or security. Excluding U.S. federal agency securities, external investment pools, and certificates of deposit, there were no individual investments that exceeded 5% of the total investments. Certain fiduciary investments are maintained by an independent broker under the control and direction of trustees independent of the town treasurer pursuant to a separate trust arrangement.

Foreign Currency Risk – The Town does not have an investment policy limiting the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet.

The Town includes the following receivables for individual major and other governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred. At June 30, 2016, the receivable balances for the Town's governmental and business-type activities consists of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Governmental activities			
Real estate, surcharge, personal property taxes	\$ 833,040	\$ 8,000	\$ 825,040
Tax liens, deferrals and foreclosures	2,911,659		2,911,659
Motor vehicle and other excise	231,013	25,900	205,113
Ambulance	1,919,098	1,040,000	879,098
Betterments, departmental and other	804,211		804,211
Intergovernmental:			
Massachusetts School Building Authority (to be collected in future years)	764,350		764,350
Massachusetts highway awards	1,983,539	.	1,983,539
Totals – Governmental activities	<u>\$ 9,446,910</u>	<u>\$ 1,073,900</u>	<u>\$ 8,373,010</u>

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Business-type activities			
Water rates, charges, liens	<u>\$2,082,931</u>	<u>\$ 57,900</u>	<u>\$ 2,025,031</u>
Totals	<u>\$ 2,082,931</u>	<u>\$ 57,900</u>	<u>\$ 2,025,031</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Massachusetts highway awards (Chapter 90) are awarded to the Town on an annual basis. The Town submits for reimbursement upon completion of approved project expenditures. The balance of \$1,983,539 in Massachusetts highway awards represent unexpended balances of allotments for projects that have not yet been submitted and has been reported as deferred inflow of resources.

Note 6. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 21,486,033	\$ 1,676,207	\$	\$ 23,162,240
Construction in progress	<u>2,240,700</u>	<u>116,635</u>	<u>(1,651,468)</u>	<u>705,867</u>
Sub-total	23,726,733	1,792,842	(1,651,468)	23,868,107
Capital assets being depreciated:				
Buildings and related improvements	57,463,651	127,960		57,591,611
Improvements other than buildings	5,048,937	1,555,472		6,604,409
Equipment, machinery & vehicles	11,948,281	812,471		12,760,752
Infrastructure	<u>77,698,358</u>	<u>6,724,226</u>	<u> .</u>	<u>84,422,584</u>
Sub-total	152,159,227	9,220,129		161,379,356
Less accumulated depreciation:				
Buildings and related improvements	33,885,883	1,848,039		35,733,922
Improvements other than buildings	3,495,545	302,999		3,798,544
Equipment, machinery & vehicles	8,762,362	568,438		9,330,800
Infrastructure	<u>61,740,848</u>	<u>1,994,191</u>	<u> .</u>	<u>63,735,039</u>
Sub-total	<u>107,884,638</u>	<u>4,713,667</u>	<u> .</u>	<u>112,598,305</u>
Governmental capital assets, net	<u>\$ 68,001,322</u>	<u>\$ 6,299,304</u>	<u>\$ (1,651,468)</u>	<u>\$ 72,649,158</u>

In fiscal year 2016, \$1,651,468 in construction in progress was added to improvements other than buildings and infrastructure of \$1,240,136 and \$411,332 respectively.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,505,893	\$	\$ -	\$ 1,505,893
Construction in progress	<u>-</u>	<u> .</u>	<u> .</u>	<u>-</u>
Sub-total	1,505,893			1,505,893
Capital assets being depreciated:				
Buildings and related improvements	6,851,893			6,851,893
Equipment, machinery & vehicles	2,497,104	229,181		2,726,285
Infrastructure	<u>36,438,695</u>	<u>56,121</u>	<u> .</u>	<u>36,494,816</u>
Sub-total	45,787,692	285,302	-	46,072,994
Less accumulated depreciation:				
Buildings and related improvements	553,783	161,090		714,873
Equipment, machinery & vehicles	935,886	173,549		1,109,435
Infrastructure	<u>25,730,503</u>	<u>799,068</u>	<u> .</u>	<u>26,529,571</u>
Sub-total	<u>27,220,172</u>	<u>1,133,707</u>	<u> .</u>	<u>28,353,879</u>
Business-type capital assets, net	<u>\$ 20,073,413</u>	<u>\$ (848,405)</u>	<u>\$</u>	<u>\$ 19,225,008</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Pursuant to the Monomoy Regional School District's regionalization agreement, the Town maintains ownership of its current school buildings and grounds and shall lease these to the District for the sum of one dollar a year for a term up to twenty (20) years with additional extensions possible at the discretion of the Regional District School Committee. At the point these buildings and grounds are no longer needed by the District, per vote of the Regional District School Committee, custody and control will revert to the Town.

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

Governmental activities:	
General government	\$ 436,646
Public safety	650,844
Education	989,762
Public works	2,265,862
Health services	180,423
Culture and recreation	<u>190,130</u>
Total depreciation expense – governmental activities	<u>\$ 4,713,667</u>
Business-type activities:	
Water enterprise	<u>\$ 1,133,707</u>

Note 7. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Other Governmental Funds</u>
Amounts transferred from special revenue funds to general fund to fund fiscal year budget and other transfers (including Allen Harbor Dredging)	\$ 575,820	\$.	\$ (575,820)
Amounts transferred from general fund to special revenue funds	(260,000)		260,000
Amounts transferred from Community Preservation Act (CPA fund) to fund related fiscal year debt service	<u>662,275</u>	<u>(662,275)</u>	<u>.</u>
Total net transfers	<u>\$ 978,095</u>	<u>\$ (662,275)</u>	<u>\$ (315,820)</u>

The General Fund was due \$6,632 from the agency fund for funding police details and \$100,000 from the Other Post-Employment Benefits (OPEB).

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

<u>Purpose</u>	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
Refunding 2002 issue, Golf clubhouse dtd 10/2012, 2.0-3.0%, due 11/1/2022	\$ 355,000	\$	\$ 65,000	\$ 290,000	\$ 65,000
Refunding 2002, issues, Land acquisition, 2.0-3.0% dtd 10/2012, due 11/1/2022	230,000		40,000	190,000	40,000
General obligation bonds, 3.75%, dtd 12/1/2003, advance refunding					
Refunding 2003, issues, advance, 2.0- 3.0%, dtd 10/2012, due 11/1/2013	2,015,000		240,000	1,775,000	235,000
Refunding 2003, issues Golf irrigation, advance, 2.0-3.0%, dtd 10/2012, due 11/1/2013	495,000		120,000	375,000	115,000
Road betterment bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2022	105,000		15,000	90,000	15,000
Land acquisition bonds, 3.68%, dtd 6/15/2005, due 6/15/2020	445,000		90,000	355,000	90,000
Golf course bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	535,000		80,000	455,000	80,000
School roof bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	340,000		55,000	285,000	55,000
Remodeling bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	70,000		10,000	60,000	10,000
Police Station bonds, 4.25%, dtd 2/15/2009, due 2/15/2029	6,050,000		450,000	5,600,000	450,000
Refunding bonds, 2.00 to 5.00%, dtd 9/16/2009, due 9/15/2020	3,570,000		1,280,000	2,290,000	1,265,000
Road maintenance bonds, 2.00 to 5.00%, dtd 9/16/2009, due 9/15/2020	40,000		10,000	30,000	10,000
Massachusetts Clean Water Trust, subsidized septic bonds, dtd. 5/5/2005, due 8/1/2023	56,721		6,529	50,192	6,529
Massachusetts Clean Water Trust, subsidized septic bonds, dtd. 10/6/1999, due 8/1/2020	65,192		10,829	54,363	10,829
Allen Harbor dredging, 2.0 to 2.75% dtd 7/15/2013, due 7/15/2022	<u>2,570,000</u>	<u>.</u>	<u>330,000</u>	<u>2,240,000</u>	<u>330,000</u>
Total long-term bonds	16,941,913		2,802,358	14,139,555	2,277,358
Other post-employment benefits	16,578,763	3,170,780	2,104,971	17,644,572	
Landfill closure and monitoring liability	296,000		18,500	277,500	18,500
Net pension liability	24,040,696	2,582,247		26,622,943	
Compensated absences, net	<u>1,063,200</u>	<u>48,400</u>	<u>.</u>	<u>1,111,600</u>	<u>.</u>
Total governmental activities	<u>\$ 58,920,572</u>	<u>\$ 5,801,427</u>	<u>\$ 4,925,829</u>	<u>\$ 59,796,170</u>	<u>\$ 2,795,858</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

<u>Purpose</u>	<u>Balance July 01, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Current Portion</u>
Business-type activities:					
Water treatment facility bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2036	\$ 2,860,000	\$	\$ 130,000	\$ 2,730,000	\$ 130,000
Water tank construction bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2022	1,085,000		155,000	930,000	155,000
Water treatment facility bonds, 3.42%, dtd 3/15/2010, due 3/15/2030	1,125,000		75,000	1,050,000	75,000
Refunding issue of 2005, 4.0-5.0%, dtd 10/16/2012, due 3/15/2034	1,890,000		110,000	1,780,000	110,000
Massachusetts Clean Water Trust subsidized bond, dtd 2/11/16 due 1/15/2036	<u>1,878,232</u>	<u> .</u>	<u> .</u>	<u>1,878,232</u>	<u>75,976</u>
Total bonds payable	8,838,232		470,000	8,368,232	545,976
Capital leases	48,852		48,852		
Compensated absences, net	<u>69,000</u>	<u>4,800</u>	<u> .</u>	<u>73,800</u>	<u> .</u>
Total business-type activities					
noncurrent liabilities	<u>\$ 8,956,084</u>	<u>\$ 4,800</u>	<u>\$ 518,852</u>	<u>\$ 8,442,032</u>	<u>\$ 545,976</u>

Long-term debt

The outstanding Clean Water Trust (the Trust), formerly the Massachusetts Water Pollution Abatement Trust (MWPAT) bond above is recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that the Commonwealth of Massachusetts will subsidize the interest portion of the debt service via contract payments to Clean Water Trust (and Trust available earnings). These payments, if material, are recorded as revenue and expenses in the accompanying entity-wide financial statements; however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2016, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,777,358	\$ 452,697	\$ 3,230,055	\$ 545,976	\$ 233,228	\$ 779,204
2018	1,782,358	377,935	2,160,293	547,628	219,084	766,712
2019	1,762,358	319,474	2,081,832	549,315	201,930	751,245
2020	1,656,950	258,185	1,915,135	551,039	187,594	738,633
2021	1,407,168	205,698	1,612,866	547,800	171,199	718,999
2022 – 2026	3,588,363	544,875	4,133,238	2,136,787	644,111	2,780,898
2027 – 2031	1,165,000	91,335	1,256,335	1,906,928	371,326	2,278,254
2032 – 2036				1,452,759	125,497	1,578,256
2037	<u> .</u>	<u> .</u>	<u> .</u>	<u>130,000</u>	<u>2,340</u>	<u>132,340</u>
Totals	<u>\$ 14,139,555</u>	<u>\$ 2,250,199</u>	<u>\$ 16,389,754</u>	<u>\$ 8,368,232</u>	<u>\$ 2,156,309</u>	<u>\$ 10,524,541</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Unissued debt authorizations consist of the following at June 30, 2016:

<u>Purpose</u>	<u>Year(s)</u> <u>Authorized</u>	<u>Amount</u>
Road improvements	2013	\$ 72,000
Muddy Creek bridge	2014	4,500,000
Greensand water treatment facility	2014	1,710,000
Town piers and bulkheads	2014	1,286,000
Greensands Well	2015	<u>150,000</u>
Total		<u>\$ 7,718,000</u>

Lease obligations

A. Operating leases

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2016.

B. Capital leases

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not exceed five years and subject to annual appropriation. Currently, the Town previously entered into two capital leases for vehicles utilized at the water department. Both of the capital leases have been paid off in the current year.

Note 9. Deferred Outflows and Deferred Inflows of Resources

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2016.

Governmental activities:	Deferred Outflows of Resources 6/30/2016
Net difference between projected and actual pension earnings	\$ 2,125,962
Deferred amount on bond refunding	<u>199,928</u>
	<u>\$ 2,325,890</u>
Business-type activities:	
Deferred amount on bond refunding	<u>\$ 171,787</u>
Governmental activities:	Deferred Inflows of Resources 6/30/2016
Deferred revenue - MA highway	\$ 1,983,539
Changes in proportionate related to pension obligations	141,199
Unamortized bond premiums	<u>294,814</u>
Total governmental activities	<u>\$ 2,419,552</u>
Business-type activities:	
Unamortized bond premiums	<u>\$ 200,406</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

	Deferred Inflows of Resources <u>6/30/2016</u>
Governmental funds:	
Deferred revenue:	
Property taxes, surcharges and personal property	\$ 616,181
Tax liens	2,911,659
Motor vehicle and other excise	231,013
Ambulance	1,919,098
Betterments, departmental, and other	804,211
Intergovernmental	<u>2,747,890</u>
Total governmental funds	<u>\$ 9,230,052</u>

Note 10. Temporary Borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes or revenue anticipation notes (TANs, RANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate fund. Changes in the Town's temporary debt for the year ended June 30, 2016 are as follows:

Type/Purpose	<u>Loan Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:							
BAN – Land	6/26/2015	6/26/2016	0.45%	\$ 825,000	\$	\$ 825,000	\$
BAN – Roads	6/26/2015	6/26/2016	0.45%	400,000		400,000	
BAN – Town Pier	6/26/2015	6/26/2016	0.45%	478,000		478,000	
BAN – Roads	6/26/2015	6/26/2016	0.45%	500,000		500,000	
BAN – Town Pier	6/24/2016	6/22/2017	1.15%		418,000		418,000
BAN – Land	6/24/2016	6/22/2017	1.15%		825,000		825,000
BAN – Roads	6/24/2016	6/22/2017	1.15%		700,000		700,000
BAN – Roads	6/24/2016	6/22/2017	1.15%		350,000		350,000
BAN – Town Pier	6/24/2016	6/22/2017	1.15%		500,000		500,000
BAN – Muddy Creek Project	6/24/2016	6/22/2017	1.15%		<u>500,000</u>		<u>500,000</u>
Total governmental activities				<u>\$ 2,203,000</u>	<u>\$ 3,293,000</u>	<u>\$ 2,203,000</u>	<u>\$ 3,293,000</u>
Business-type activities:							
BAN - Water	6/26/2015	6/26/2016	0.45%	\$ 200,000	\$	\$ 200,000	\$
BAN – Water	6/24/2016	6/22/2017	1.15%		<u>150,000</u>		<u>150,000</u>
Total business-type activities				<u>\$ 200,000</u>	<u>\$ 150,000</u>	<u>\$ 200,000</u>	<u>\$ 150,000</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 11. Employee Benefits

A. Retirement Benefits

Plan Description

The Barnstable County Retirement Association (the Plan) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The Town is a member of the Monomoy Regional School District. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Accordingly, the District is responsible for the associated benefits. Membership in the Association is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of January 1, 2014, the Association had 50 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association has issued a publicly available financial report that includes audited financial statements and required supplementary information for the year ended December 31, 2015, which may be obtained by writing to the Association directly at the following address: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

Benefits Provided:

The Association provides retirement, disability, survivor, and death benefits to plan members and their beneficiaries. Massachusetts General Laws (M.G.L.) establish uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those 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. Benefit payments are based upon a member's age, length of credible service, and group credible service and group classification. The authority for amending these provisions rests with the Legislature.

Contributions:

There are three classifications of membership in the retirement system: Group 1, Group 2, and Group 4. Group 1 consists of general public employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. And group 4 is mainly comprised of police officers and firefighters.

Any individual in Group 1 or Group 2, whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or older, regardless of the number of years of credible service.

Members in Group 1 and Group 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and Group 2, hired after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$2,283,370, which was net of the discount of approximately \$43,000.

Pension liabilities, expenses, and deferred outflows of resources related to pensions:

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2014. At December 31, 2015:

	<u>2015</u>
Total pension liability	\$1,502,651,474
Less: Plan fiduciary net position	<u>(873,002,091)</u>
Net pension liability	<u>\$ 629,649,383</u>
Plan fiduciary net position as a percentage of the total pension liability	58.10%
Total employer pension expense	\$ 69,712,851
Town's proportionate share of the collective net pension liability	\$ 26,622,943
Town's percentage share of the collective net pension liability	4.228%
Town's covered payroll	\$ 11,725,015
Town's proportionate share of pension expense recognized	\$ 2,922,026

The Town's proportionate share of collective deferred outflows of resources was \$2,125,962 and share of collective deferred inflows of \$141,199. The net effect of these are to be recognized in future pension expense as follows:

Year ended June 30,	
2017	\$ 505,141
2018	505,141
2019	505,141
2020	494,922
2021	<u>(25,582)</u>
	<u>\$ 1,984,763</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Actuarial Assumptions:

Valuation Date:	January 1, 2014
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Payments increase at 4.0%, except for 2010 Early Retirement Incentive, which is at a level payment.
Inflation Rate:	4.0%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Projected Salary Increases:	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.5% for Group 2, and 4.75% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$15,000 of retirement income.
Mortality Rates:	
Pre-retirement:	The RP-2000 Employee Mortality Table projected generationally with Scale AA from 2010.
Healthy Retiree:	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale AA from 2010.
Disabled Retiree:	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010.

The pension plan's policy in regards to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan. 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 real rates of return (expected returns, net pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighing the expected future real rates of return by the target asset allocation percentage and by addition expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	20.0%	6.6%
International developed markets equity	16.0%	7.1%
International emerging markets equity	7.0%	9.4%
Core fixed income	13.0%	2.2%
High-yield fixed income	10.0%	4.7%
Real estate	10.0%	4.4%
Commodities	4.0%	4.4%
Hedge fund, GTAA, Risk parity	10.0%	3.9%
Private equity	10.0%	11.7%
Total	<u>100.0%</u>	

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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.

Sensitivity Analysis:

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the District's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2015:

	1% Decrease to 6.75%	Current Discount Rate 7.75%	1% Increase to 8.75%
BCRA - Total Plan	\$ 798,489,114	\$ 629,649,382	\$ 486,357,107
Town's proportionate share	\$ 33,761,852	\$ 26,622,943	\$ 20,564,234

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position for both governmental and business-type activities.

C. Other Post Employment Benefits

Plan Description

The Town administers a single employer defined benefit plan which provides health, dental and life insurance benefits to substantially all retired employees and their spouses (plan members). Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. At least 10 years of creditable service are eligible at age 55;
- ii. At least 20 years of creditable serve are eligible at any age.

The Plan does not issue separate financial statements, but an actuarial valuation is performed biennially. The number of Plan participants as of June 30, 2014, the latest valuation date was 507, which includes retirees, beneficiaries, and dependent members of 352 and active members of 155. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

TOWN OF HARWICH, MASSACHUSETTS

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June 30, 2016

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. Benefits were paid to retirees, beneficiaries and dependents during the fiscal year ended June 30, 2016 and are paid on a pay as you go basis. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 75% of the insurance premiums with the remainder funded through retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution (ARC)	\$ 2,933,863
Interest on net OPEB obligation	953,279
ARC adjustment	<u>(716,362)</u>
Annual OPEB cost	3,170,780
Contributions made	<u>(2,104,971)</u>
Increase in net OPEB obligation	1,065,809
Net OPEB obligation, beginning of year	<u>16,578,763</u>
Net OPEB obligation, end of year	<u>\$ 17,644,572</u>

For fiscal year 2016, the total OPEB liability is presented as a liability of the governmental activities, and has not been allocated to business-type activities.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 3,170,780	66.39%	\$ 17,644,572
6/30/2015	\$ 3,040,675	65.00%	\$ 16,578,763
6/30/2014	\$ 3,040,736	64.05%	\$ 15,514,563

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

	(a)	(b)	(b) – (a)	(b) / (a)	(c)	[(b)-(a)]/(c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2014	\$ 303,073	\$ 42,724,608	\$ 42,421,535	0.70%	N/A	N/A
6/30/2012	\$	\$ 44,084,195	\$ 44,084,195	0.00%	N/A	N/A
6/30/2010	\$	\$ 81,139,558	\$ 81,139,558	0.00%	N/A	N/A

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

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following methods and assumptions were utilized in the June 30, 2014 valuation:

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Amortization payments increasing at 4.0%
Amortization Period:	30 years open
Asset Valuation Method:	Market value
Investment Rate of Return:	5.75%; partially funded scenario
Inflation Rate:	4.0%
Dental:	2.0% for 1 year then 5.0% thereafter
Healthcare Trend Rates:	Under 65: 10% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year Over 65: 10% decreasing by 0.5% for 10 years to an ultimate level of 5.0%

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 12. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill. Based upon experience, the Town estimates annual monitoring costs are \$18,500 per year, which are included within the annual appropriations. As of June 30, 2016, \$277,500 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to changes in regulations, technology, and inflation.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town is exposed to various risks of loss related to general liability, property and casualty, unemployment, employee health claims, and workers' compensation.

The Town purchases general liability insurance and insures buildings and property through insurance policies. Losses are insured to the extent the losses exceed the deductibles.

The Town participates in the Cape Cod Municipal Health Group (the Group), a municipal joint-purchase group consisting of 51 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee health insurance benefits. Employees and the Town both contribute to the Group. During the year, the Town's share of premiums paid to the Group were approximately \$3.7 million. Additional information related to the Group may be obtained by contacting the Group directly.

Note 14. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2016. In the opinion of the Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town. Accordingly, no provision for any loss relating to these lawsuits has been recorded in the financial statements.

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

Note 15. Restated Beginning Balances

The following beginning balances have been restated to correspond with the current year presentation.

	<u>General Fund</u>	<u>Community Preservation Fund</u>
Fund Balance, June 30, 2015	\$ 8,145,508	\$ 4,335,158
Reclassification of Community Preservation Fund activity/ balances reported in the General Fund in the prior year	<u>572,763</u>	<u>(572,763)</u>
Fund Balance restated, July 1, 2015	<u>\$ 8,718,271</u>	<u>\$ 3,762,395</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

Note 16. Implementation of GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #72, *Fair Value Measurement and Application*, which was required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town implemented the pronouncement.

The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which was required to be implemented in fiscal year 2016. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP).

The GASB issued Statement #79, *Certain External Investment Pools and Pool Participants*, which was required to be implemented in fiscal year 2016. The pronouncement issued accounting and financial reporting guidance regarding qualifying external investment pools and state and local governments that participate in such external investment pools. The Town implemented the pronouncement as applicable.

Future pronouncements

The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance regarding disclosures of any tax abatement agreements with parties which the government promises to forgo tax revenues for the promise of specific actions which contribute to economic development or otherwise benefits the government or its citizens. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The Town will evaluate the implementation of the pronouncement as applicable, but doesn't expect the pronouncement to be applicable.

The GASB issued Statement #82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #83, *Certain Asset Retirement Obligations* is generally required to be implemented in fiscal year 2019. The pronouncement addresses accounting and financial reporting for legally enforceable retirements of tangible capital assets. The Town will evaluate the implementation of the pronouncement as applicable.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2016

The GASB issued Statement #84, *Fiduciary Activities* is generally required to be implemented in fiscal year 2020. The pronouncement addresses improvements in identification of fiduciary activities and the accounting and financial reporting thereof. The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #85, *Omnibus 2017* is generally required to be implemented in fiscal year 2018. The pronouncement addresses a variety of issues in the implementation of various statements. The Town will evaluate the topics addressed by the statement as applicable.

The GASB issued Statement #86, *Certain Debt Extinguishment Issues* is generally required to be implemented in fiscal year 2018. The pronouncement addresses consistency in accounting and financial reporting for in-substance defeasance of debt with only existing resources. The Town will evaluate the implementation of the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HARWICH, MASSACHUSETTS

Required Supplementary Information
Schedule of Pension Plan Contributions
June 30, 2016

Schedule of pension plan contributions**A. Barnstable County Retirement Association**

The Barnstable County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the governmental member units. Based upon the actuarial valuation date of the Plan of January 1, 2014, (current year) the following is presented.

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,502,651,474	\$ 1,426,632,712
Less:		
Plan fiduciary net position	<u>(873,002,091)</u>	<u>(862,069,292)</u>
Net pension liability	<u>\$ 629,649,383</u>	<u>\$ 564,563,420</u>
Plan fiduciary net position as a percentage of total pension liability	58.10%	60.43%
Town's proportionate/allocated share of collective net pension liability	\$ 26,622,943	\$ 24,040,696
Town's proportionate share of pension expense	\$ 2,947,611	\$ 2,356,231
Town's share of collective net pension liability as a percentage of the total	4.228%	4.258%
Actuarially determined contribution	\$ 2,283,370	\$ 2,217,735
Contributions in relation to actuarial determined contribution	<u>\$ (2,283,370)</u>	<u>\$ (2,217,735)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>
Town's covered payroll	\$ 11,725,015	\$ 11,169,369
Town's contributions as a percentage of covered payroll	19.47%	19.86%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll	227.06%	215.24%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS**Required Supplementary Information****Schedule of Funding Progress – Town's Other Post-Employment Benefit (OPEB) Plan****June 30, 2016****Schedule of Funding Progress**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

	(a)	(b)	(b) – (a)	(b) / (a)	(c)	[(b)-(a)]/(c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2014	\$ 303,073	\$ 42,724,608	\$ 42,421,535	0.70%	N/A	N/A
6/30/2012	\$ -	\$ 44,084,195	\$ 44,084,195	0.00%	N/A	N/A
6/30/2010	\$ -	\$ 81,139,558	\$ 81,139,558	0.00%	N/A	N/A

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

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following methods and assumptions were utilized in the June 30, 2014 valuation:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Amortization payments increasing at 4.0%
- Amortization Period: 30 years open
- Asset Valuation Method: Market value
- Investment Rate of Return: 5.75%, partially funded scenario
- Inflation Rate: 4.0%
- Dental: 2.0% for 1 year then 5.0% thereafter
- Healthcare Trend Rates: Under 65: 10% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year
Over 65: 10% decreasing by 0.5% for 10 years to an ultimate rate of 5.0% per year

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes and payment in lieu	\$ 43,323,246	\$ 43,323,246	\$ 43,192,120	\$ (131,126)
Excise taxes	2,820,000	2,820,000	3,109,913	289,913
Recreational fees	2,785,466	2,785,466	2,259,257	(526,209)
Sanitation fees	2,100,000	2,100,000	2,455,995	355,995
Charges for service	1,575,000	1,575,000	1,474,972	(100,028)
Licenses, permits, fines and other departmental	938,000	938,000	2,292,395	1,354,395
Penalties and interest	300,000	300,000	293,182	(6,818)
Investment interest	18,000	18,000	34,722	16,722
Intergovernmental	<u>1,660,004</u>	<u>1,660,004</u>	<u>1,639,593</u>	<u>(20,411)</u>
Total revenues	55,519,716	55,519,716	56,752,149	1,232,433
Expenditures				
General government	3,521,633	3,258,305	2,977,653	280,652
Public safety	9,607,005	9,330,503	8,827,276	503,227
Education	24,299,551	24,235,546	24,235,546	
Public works	5,374,107	5,648,680	5,609,423	39,257
Human services	1,207,472	1,198,746	1,144,168	54,578
Culture and recreation	4,397,771	3,699,043	3,461,231	237,812
Employee benefits and other insurances	7,173,779	7,008,779	7,065,998	(57,219)
State and county assessments	642,629	642,629	536,513	106,116
Debt service	<u>3,615,484</u>	<u>3,615,484</u>	<u>3,351,250</u>	<u>264,234</u>
Total expenditures	<u>59,839,431</u>	<u>58,637,715</u>	<u>57,209,058</u>	<u>1,428,657</u>
Revenues over (under) expenditures	(4,319,715)	(3,117,999)	(456,909)	2,661,090
Other financing sources (uses)				
Transfers in from other funds	1,864,026	1,864,026	1,864,026	
Transfers out to other funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(260,000)</u>	<u>(160,000)</u>
Total other financing sources (uses)	<u>1,764,026</u>	<u>1,764,026</u>	<u>1,604,026</u>	<u>(160,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,555,689)	(1,353,973)	<u>\$ 1,147,117</u>	<u>\$ 2,501,090</u>
Other budget items				
Free cash appropriations	804,599	1,054,599		
Overlay surplus	100,000	100,000		
Carryover articles and encumbrances	<u>1,651,090</u>	<u>199,374</u>		
Total other budget items	<u>2,555,689</u>	<u>1,353,973</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.
 See accompanying notes to Budgetary Comparison Schedule.

TOWN OF HARWICH, MASSACHUSETTS
 Budgetary Comparison Schedule - Community Preservation Fund
 For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes, penalties and interest	\$ 1,375,424	\$ 1,375,424	\$ 1,269,770	\$ (105,654)
Investment interest			4,931	4,931
Intergovernmental	<u>400,000</u>	<u>400,000</u>	<u>415,040</u>	<u>15,040</u>
Total revenues	1,775,424	1,775,424	1,689,741	(85,683)
Expenditures				
Total expenditures	<u>1,679,115</u>	<u>1,317,472</u>	<u>1,317,472</u>	
Revenues over (under) expenditures	96,309	457,952	372,269	(85,683)
Other financing sources (uses)				
Transfers in from other funds	200,000	200,000		(200,000)
Transfers out to other funds	<u>(662,275)</u>	<u>(662,275)</u>	<u>(662,275)</u>	
Total other financing sources (uses)	<u>(462,275)</u>	<u>(462,275)</u>	<u>(662,275)</u>	<u>(200,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(365,966)	(4,323)	<u>\$ (290,006)</u>	<u>\$ (285,683)</u>
Other budget items				
Available fund balance	<u>365,966</u>	<u>4,323</u>		
Total other budget items	<u>365,966</u>	<u>4,323</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.
 See accompanying Notes to Budgetary Comparison Schedule.

TOWN OF HARWICH, MASSACHUSETTS
Notes to Required Supplementary Information
June 30, 2016

Note 1. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets are for all departments and operations of the Town. The regional school districts' school committees are responsible for their respective budgets, which must be voted upon by member towns at town meeting. Original and supplemental appropriations are acted upon by vote of Town Meeting. General Fund and Community Preservation Fund functions are budgeted; the Town does not have legally adopted annual budgets for its other special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Business-type activities are not required to present budgetary information.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule - General Fund, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). There is no difference between the GAAP and budgetary basis for the Town's Community Preservation fund. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2016, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 56,752,149	\$ 57,209,058	\$ 1,604,026
Indirect charges for water fund		(625,931)	(625,931)
Stabilization funds interest income	8,894		
Adjustment of property tax revenues to modified accrual basis and provision for refund of paid taxes	<u>(163,544)</u>	<u>-</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 56,597,499</u>	<u>\$ 56,583,127</u>	<u>\$ 978,095</u>

See Independent Auditor's Report.