

**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.

	<b>FY 2016</b> <b>Governmental</b> <b>Activities</b>	<b>FY 2015</b> <b>Governmental</b> <b>Activities</b>	<b>FY 2016</b> <b>Business-type</b> <b>Activities</b>	<b>FY 2015</b> <b>Business-type</b> <b>Activities</b>
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

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
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
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
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>
<b>LIABILITIES</b>			
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
<b>DEFERRED INFLOWS OF RESOURCES</b>			
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
<b>NET POSITION</b>			
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
<b>Primary government</b>							
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)
<b>General revenues:</b>							
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

	<b>General Fund</b>	<b>Community Preservation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
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>
<b>LIABILITIES</b>				
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
<b>DEFERRED INFLOWS OF RESOURCES</b>				
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
<b>FUND BALANCE</b>				
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.	1,984,763
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>
<b>Revenues:</b>				
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	1,639,593	415,040	4,951,121	7,005,754
Total revenues	<u>56,597,499</u>	<u>1,689,741</u>	<u>6,456,192</u>	<u>64,743,432</u>
<b>Expenditures:</b>				
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	<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)
<b>Other financing sources (uses):</b>				
Transfers in	1,238,095		260,000	1,498,095
Transfers out	(260,000)	(662,275)	(575,820)	(1,498,095)
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

	<b>Business-type Activities</b>
	<b><u>Water Enterprise</u></b>
<b>ASSETS</b>	
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
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
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>
<b>LIABILITIES</b>	
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>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unamortized bond premiums	<u>200,406</u>
Total deferred inflow of resources	200,406
<b>NET POSITION</b>	
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

	<b><u>Business-type Activities</u></b>
<b>Operating revenues:</b>	
Charges for services	\$ 4,867,691
Departmental and other	<u>80,329</u>
Total operating revenues	4,948,020
<b>Operating expenses:</b>	
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>
<b>Operating income</b>	1,111,045
<b>Non-operating revenues (expenses):</b>	
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

	<b>Business-type Activities</b>
	<b>Water Enterprise Totals</b>
<b>Cash flows from operating activities</b>	
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
<b>Cash flows from capital and related financing activities</b>	
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)
<b>Net change in cash and cash equivalents</b>	892,123
<b>Cash and cash equivalents at beginning of year</b>	3,862,936
<b>Cash and cash equivalents at end of year</b>	\$ 4,755,059
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
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
<b>Supplementary schedule of noncash capital and related financing activities:</b>	
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

	<b>Private Purpose Trust Funds</b>	<b>Other Post-Employment Benefits Trust Fund</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>			
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>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$	\$	\$ 44,321
Due to General Fund		100,000	6,632
Total liabilities		100,000	<u>\$ 50,953</u>
<b><u>NET POSITION</u></b>			
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

	<b>Private Purpose Trust Funds</b>	<b>Other Post-Employment Benefits Trust Fund</b>
<b>Additions</b>		
Contributions	\$	\$ 100,000
Interest, dividends and market value change	5,182	30,755
Total additions	5,182	130,755
<b>Deductions:</b>		
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.

<b><u>Joint venture and address</u></b>	<b><u>Purpose</u></b>	<b><u>FY 2016 payments</u></b>
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

	<b><u>General Fund</u></b>	<b><u>Community Preservation Fund</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Total</u></b>
<b>Nonspendable:</b>				
Inventories	\$ _____.	\$ _____.	\$ 137,442	\$ 137,442
Subtotal			137,442	137,442
<b>Restricted:</b>				
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
<b>Committed:</b>				
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
<b>Assigned:</b>				
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
<b>Unassigned</b>	4,312,454	_____.	(3,791,429)	521,025
<b>Total</b>	<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>
<b>Governmental activities</b>			
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>
<b>Business-type activities</b>			
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.

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
<b><u>Governmental activities:</u></b>				
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.

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
<b><u>Business-type activities:</u></b>				
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:

	<b><u>General Fund</u></b>	<b><u>Community Preservation Fund</u></b>	<b><u>Other Governmental Funds</u></b>
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>
<b>Governmental activities:</b>					
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>
<b>Business-type activities:</b>					
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.

<b>Governmental activities:</b>	<b>Deferred Outflows of Resources 6/30/2016</b>
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>
<b>Business-type activities:</b>	
Deferred amount on bond refunding	<u>\$ 171,787</u>
<b>Governmental activities:</b>	<b>Deferred Inflows of Resources 6/30/2016</b>
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>
<b>Business-type activities:</b>	
Unamortized bond premiums	<u>\$ 200,406</u>

# TOWN OF HARWICH, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2016

	<b>Deferred Inflows of Resources <u>6/30/2016</u></b>
<b>Governmental funds:</b>	
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:

<b>Type/Purpose</b>	<b><u>Loan Date</u></b>	<b><u>Maturity Date</u></b>	<b><u>Interest Rate</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Issued</u></b>	<b><u>Retirements</u></b>	<b><u>Ending Balance</u></b>
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:

	<b><u>2015</u></b>
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:

	<b>1% Decrease to 6.75%</b>	<b>Current Discount Rate 7.75%</b>	<b>1% Increase to 8.75%</b>
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

## Notes to Financial Statements

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:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
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)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
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.

	<b><u>General Fund</u></b>	<b><u>Community Preservation Fund</u></b>
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.

	<b><u>2015</u></b>	<b><u>2014</u></b>
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)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
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>
<b>Revenues</b>				
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
<b>Expenditures</b>				
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
<b>Other financing sources (uses)</b>				
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>
<b>Other budget items</b>				
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>
<b>Revenues</b>				
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)
<b>Expenditures</b>				
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)
<b>Other financing sources (uses)</b>				
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>
<b>Other budget items</b>				
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:

	<b><u>Revenues</u></b>	<b><u>Expenditures</u></b>	<b><u>Other Financing Sources (Uses), Net</u></b>
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.