

**TOWN OF HARWICH, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

**TOWN OF HARWICH, MASSACHUSETTS
 BASIC FINANCIAL STATEMENTS
 AND MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Harwich, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Harwich, Massachusetts, as of and for the year ended June 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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 the 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Harwich, Massachusetts, as of June 30, 2014, 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 schedule of funding progress - other post-employment benefits (OPEB) and the budgetary comparison information, on pages 37 through 42 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 July 31, 2015, 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
July 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

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, 2014.

Financial Highlights:

- The Town reported total net position for all activities of the Town of approximately \$67.6 million at the close of the most recent fiscal year. Of this amount, approximately \$64.8 million was classified as net investment in capital assets, \$7.8 million as restricted. Total unrestricted net position was in a deficit of \$15.5 million due in large part to the Town's other post-employment benefit obligation of \$15.5 million.
- The total cost of all Town services for fiscal 2014 was \$62.3 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$4.4 million, or 7.8% of general fund expenditures.

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 and 4) required supplementary information.

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). This statement also presents a comparison between direct expenses and program revenues for each function of the Town.

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, and culture and recreation.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

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.

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 and Allen Harbor dredging capital project fund have been presented as major funds. 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. These funds measure economic resources using the full accrual basis of accounting. The Town maintains one type of proprietary fund – an enterprise fund.

Enterprise funds are used to report activities that the government operates more like a business. These activities become the government's business-type activities in the government-wide financial statements.

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

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial 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.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2014

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. These notes provide additional information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. 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 as well as 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, net position was approximately \$51.9 million and \$15.7 million for the governmental and business-type activities, respectively at the close of the most recent fiscal year as demonstrated in the following table.

	FY 2014 Governmental Activities	FY 2013 Governmental Activities	FY 2014 Business-type Activities	FY 2013 Business-type Activities
Current assets	\$ 24,025,128	\$ 22,308,377	\$ 4,457,398	\$ 4,431,681
Capital assets	<u>69,502,023</u>	<u>71,711,923</u>	<u>19,302,573</u>	<u>19,463,803</u>
Total assets	93,527,151	94,020,300	23,759,971	23,895,484
Deferred outflows of resources	<u>222,776</u>	<u>234,200</u>	<u>191,419</u>	<u>201,235</u>
Total assets and deferred outflows	<u>\$ 93,749,927</u>	<u>\$ 94,254,500</u>	<u>\$ 23,951,390</u>	<u>\$ 24,096,719</u>
Current liabilities	\$ 5,935,028	\$ 7,600,563	\$ 974,310	\$ 700,219
Long-term liabilities	<u>33,787,076</u>	<u>32,627,222</u>	<u>7,075,852</u>	<u>7,489,500</u>
Total liabilities	39,722,104	40,227,785	8,050,162	8,189,719
Deferred inflows of resources	2,094,248	2,134,024	221,652	232,275
Net position:				
Net investment in capital assets	52,837,023	52,374,860	11,929,482	11,558,803
Restricted	7,767,504	6,087,680	-	-
Unrestricted	<u>(8,670,952)</u>	<u>(6,569,849)</u>	<u>3,750,094</u>	<u>4,115,922</u>
Total net position	<u>51,933,575</u>	<u>51,892,691</u>	<u>15,679,576</u>	<u>15,674,725</u>
Total liabilities, deferred inflows and net position	<u>\$ 93,749,927</u>	<u>\$ 94,254,500</u>	<u>\$ 23,951,390</u>	<u>\$ 24,096,719</u>

Included within the governmental activities' current assets at June 30, 2014 were \$14.9 million in cash and investments, \$8.9 of receivables, inclusive of \$2.1 million in school construction reimbursement grants receivable in future years, and \$1.8 million for Commonwealth highway awards receivable.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2014

Deferred outflows of resources for the Town's governmental and business-type activities were approximately \$223,000 and \$191,000 respectively. These amounts represented deferred amounts on the issuance of refunding bonds during the year which are required to be amortized over future periods.

Governmental activities long-term liabilities include \$16.9 million in general obligation bonds, other post employment benefits liability of \$15.5 million, estimated compensated absences of \$1.0 million and estimated future landfill post-closure monitoring costs of \$315,000. Of the total general obligation bonds, \$2.8 million is classified as current because it is due within the next fiscal year. Business-type activities long term liabilities include water bonds payable of \$7.0 million, \$60,000 of compensated absences and \$95,000 of capital leases. Of the total bonds and capital leases amounts, \$470,000 and \$47,000 has been classified as current because it is due within the next fiscal year.

Deferred inflows of resources for the Town's governmental activities and business-type activities were \$2.1 million and \$222,000 respectively. The amounts in the governmental activities consisted of \$1.8 million in state highway awards to be received in future periods and \$328,000 of bond premiums associated with the issuance of refunding bonds, required to be amortized over future periods. The business-type activities' amount of \$222,000 represented unamortized bond premiums associated with the bond refunding performed during the year.

The largest portion of the Town's combined net position reflects its \$64.8 million investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. 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 \$7.8 million represents resources that are subject to restrictions placed on how they may be used. The remaining balance of combined net position represents amounts which may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Town reported an unrestricted net position balance of \$3.8 million in the business-type activities (water fund). Unrestricted net position for the Town's governmental activities reported a deficit of \$8.7 million, primarily due to the reporting of the \$15.4 million long term liability associated with other post employment benefits (OPEB).

The Town's governmental and business-type activities' net position increased slightly from the previous year of approximately \$41,000 and \$5,000 respectively. A summary of revenue, functional expenditures, and transfers, special and extraordinary items is presented below. Certain prior year amounts have been restated to correspond with the current year presentation.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2014

	FY 2014	(restated) FY 2013	FY 2014	FY 2013
	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>
Revenues:				
Charges for services	\$ 8,634,742	\$ 6,698,081	\$ 3,784,821	\$ 3,894,809
Operating grants and contributions	4,761,309	5,100,667	-	-
Capital grants and contributions	912,606	667,249	-	-
General revenues:				
Property taxes	40,742,739	39,164,346	-	-
Excise taxes	2,715,540	2,609,251	-	-
Penalties and interest	374,774	285,346	-	-
Grants and contributions not restricted and miscellaneous	646,248	366,461	-	-
Investment income	<u>77,492</u>	<u>52,315</u>	-	<u>1,161</u>
Total revenues	<u>58,865,450</u>	<u>54,943,716</u>	<u>3,784,821</u>	<u>3,895,970</u>
Expenses:				
General government	2,416,181	2,407,062	-	-
Public safety	8,132,523	8,164,307	-	-
Education	22,751,503	21,789,074	-	-
Public works	7,954,416	6,549,503	3,779,970	3,854,057
Human services	1,509,229	1,833,942	-	-
Culture and recreation	3,754,906	6,200,684	-	-
Interest and other costs	662,307	746,360	-	-
Employee benefits and other insurance	10,712,209	10,891,205	-	-
State and county charges	<u>627,779</u>	<u>626,146</u>	-	-
Total expenses	<u>58,521,053</u>	<u>59,208,283</u>	<u>3,779,970</u>	<u>3,854,057</u>
Transfers and extraordinary items:				
Transfer - contribution to OPEB Trust Fund	(303,513)			
Transfers - other		(3,394)		3,394
Transfer to Monomoy Regional School District	<u>-</u>	<u>(1,557,509)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 40,884</u>	<u>\$ (5,825,470)</u>	<u>\$ 4,851</u>	<u>\$ 45,307</u>

Key elements of this increase are as follows:

Revenues:

- ◆ Property taxes represent 69.2% of the Town's governmental activities' revenue and increased approximately \$1.6 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 make up the second largest revenue segment of governmental activities representing 14.7% of the Town's governmental activity revenue. Total charges for services increased approximately \$1.9 million over the previous year due to increases various fees associated with ambulances fees, various building and associated permits, disposal and recreational fees, and betterments charged associated with harbor dredging.

Expenses:

- ◆ Education related expenditures of \$22.8 million accounted for 38.9% 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.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

- ◆ Public works accounted for 13.6% of the Town's governmental activities. This classification increased approximately \$1.4 million, due to increase in appropriated public work related expenditures and maintenance projects, including increases in snow and ice related expenditures and depreciation expense.
- ◆ Culture and recreation expenditures of \$3.8 million, accounting for 6.4% of total expenditures, decrease approximately \$2.4 million from the previous year, primarily due to harbor dredging and harbor related projects incurred in the previous year.

Transfers and extraordinary items:

- ◆ In May 2014 Town Meeting approved, transferring \$303,513 maintained in a special stabilization fund for other postemployment benefit (OPEB), into an OPEB Trust Fund which was established pursuant to Massachusetts General Law in May 2013.
- ◆ July 1, 2012 was the official start date of the Monomoy Regional School District, which was formed by the member Towns of Chatham and Harwich in December 2010, pursuant to Massachusetts General Law. During fiscal year 2013, the Town transferred approximately \$1.6 million of funds remaining in various school related special revenue funds in accordance with asset transfer provisions of the regionalization agreement.

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 \$12.3 million, an increase of \$4.0 million from the prior year, primarily due to \$2.9 million of permanent financing related to the harbor dredging project, and \$715,000 increase in the community preservation fund due to a reduction in current year project expenditures. The governmental funds' combined ending fund balances were reported in the following classifications: nonspendable balance of \$157,000, restricted fund balance of \$6.6 million, committed fund balance of \$1.4 million; assigned fund balance of \$16,000 and unassigned fund balance of \$4.1 million.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

The general fund is the chief operating fund. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$5.5 million, a decrease of \$119,000 from the previous year. Committed fund balance of \$1.0 million represents 18.7% of total general fund balance. Unassigned fund balance of \$4.4 million represents 79.9% of total general fund 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. General fund unassigned fund balance represents approximately 7.8% and 8.0%, respectively of total general fund expenditures and revenues, while total general fund balance represents 9.8% and 10.0%, respectively, 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 \$54.5 million and the amended final budget of \$53.9 million. The net change is due to additional appropriations at a special town meeting of \$345,000 to cover snow and ice deficits and approximately and \$893,000 million of continuing appropriations (warrant articles) and encumbrances being carried into future period and reducing the original budget.

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, 2014 is \$69.5 million, which was net of accumulated depreciation of \$103.4 million. The Town's investment in capital assets for business-type activities (water fund) as of June 30, 2014 is \$19.5 million, which is net of accumulated depreciation of \$25.1 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 21,486	\$ 21,089	\$ 1,506	\$ 1,506
Construction in Progress	770	641	372	
Buildings and related improvements	25,128	26,840	4,192	4,397
Improvements other than buildings	1,616	1,842	-	-
Equipment, machinery, vehicles	3,013	2,400	1,725	1,459
Infrastructure	<u>17,489</u>	<u>18,899</u>	<u>11,507</u>	<u>12,101</u>
	<u>\$ 69,502</u>	<u>\$ 71,711</u>	<u>\$ 19,302</u>	<u>\$ 19,463</u>

Current year governmental activity additions consisted primarily to vehicle and equipment acquisitions of \$1.1 million and land acquisition of \$397,000. Current year business-type activity additions consisted primarily of equipment and vehicle acquisitions of \$334,000 and construction in progress of \$372,000.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Management's Discussion and Analysis
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Long-term debt - At the end of the current fiscal year, the Town reported bonded debt outstanding associated with its governmental activities of \$19.8 million. This is compared to \$19.7 million in the prior year. The Town reported bonded debt associated with its business-type activities (water fund) of \$7.4 million, compared to \$7.9 million the prior year. During the year the Town issued \$2.9 million of general obligation bonds associated with the Town's governmental activities. All of the Town's governmental and business-type activities' 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 2015 general fund operating budget was approximately \$51.5 million, an increase of \$1.1 million, or 2.3% over fiscal year 2014 operating budget. The operating budget includes approximately \$20.2 million and \$1.2 million in assessments to the Monomoy Regional School District and Cape Cod Regional Technical High School respectively.
- The total fiscal year 2015 tax levy was approximately \$42.2 million, an increase of \$2.3 million from the total tax levy raised in fiscal year 2014 of \$39.8 million.
- Town Meeting approved capital exclusions and debt exclusions articles in May 2014 of \$1.1 million and \$1.3 million, respectively.
- The Town's fiscal year 2015 total water fund appropriations was approximately \$3.9 million, an increase of \$206,000 over the prior year.

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.

See Independent Auditor's Report.

BASIC FINANCIAL STATEMENTS

TOWN OF HARWICH, MASSACHUSETTS

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 14,255,557	\$ 3,127,827	\$ 17,383,384
Investments	668,106		668,106
Receivables, net of allowance for uncollectible	8,918,602	1,329,571	10,248,173
Due from agency fund	24,048		24,048
Inventories	158,816		158,816
Capital assets, net of accumulated depreciation	<u>69,502,023</u>	<u>19,302,573</u>	<u>88,804,596</u>
Total assets	93,527,152	23,759,971	117,287,123
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on bond refunding	<u>222,776</u>	<u>191,419</u>	<u>414,195</u>
Total deferred outflows of resources	<u>222,776</u>	<u>191,419</u>	<u>414,195</u>
Total assets and deferred outflows of resources	<u>\$ 93,749,928</u>	<u>\$ 23,951,390</u>	<u>\$ 117,701,318</u>
LIABILITIES			
Accounts payable	\$ 1,567,798	\$ 85,743	\$ 1,653,541
Salaries and withholding payable	568,583	23,974	592,557
Accrued interest payable	195,191	95,754	290,945
Provision for refund of paid taxes	117,000		117,000
Notes payable	500,000	250,000	750,000
Other current liabilities	155,599	1,874	157,473
Noncurrent liabilities:			
Due within one year	2,830,858	516,965	3,347,823
Due in more than one year	<u>33,787,076</u>	<u>7,075,852</u>	<u>40,862,928</u>
Total liabilities	39,722,105	8,050,162	47,772,267
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	1,766,676		1,766,676
Unamortized bond premiums	<u>327,572</u>	<u>221,652</u>	<u>549,224</u>
Total deferred inflows of resources	2,094,248	221,652	2,315,900
NET POSITION			
Net investment in capital assets	52,837,023	11,929,482	64,766,505
Restricted	7,767,504		7,767,504
Unrestricted	<u>(8,670,952)</u>	<u>3,750,094</u>	<u>(4,920,858)</u>
Total net position	<u>51,933,575</u>	<u>15,679,576</u>	<u>67,613,151</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 93,749,928</u>	<u>\$ 23,951,390</u>	<u>\$ 117,701,318</u>

The accompanying notes are integral part of these financial statements.

TOWN OF HARWICH, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2014

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		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental Activities							
General government	\$ 2,416,181	\$ 493,451	\$ 750,308	\$	\$ (1,172,422)	\$	\$ (1,172,422)
Public safety	8,132,523	2,150,781	24,454		(5,957,288)		(5,957,288)
Education	22,751,503	2,216			(22,749,287)		(22,749,287)
Public works	7,954,416	2,030,989	19,025	912,606	(4,991,796)		(4,991,796)
Human services	1,509,229	202,744	425,716		(880,769)		(880,769)
Culture and recreation	3,754,906	3,754,561	54,708		54,363		54,363
Employee benefits and other insurance	10,712,209		3,465,777		(7,246,432)		(7,246,432)
Interest and other costs	662,307		21,321		(640,986)		(640,986)
State and county charges	627,779				(627,779)		(627,779)
Total governmental activities	58,521,053	8,634,742	4,761,309	912,606	(44,212,396)		(44,212,396)
Business-type activities							
Water	3,779,970	3,784,821				4,851	4,851
Total business-type activities	3,779,970	3,784,821				4,851	4,851
Total primary government	\$ 62,301,023	\$ 12,419,563	\$ 4,761,309	\$ 912,606	(44,212,396)	4,851	(44,207,545)
General revenues:							
Property taxes and surcharge, net of allowances for uncollectibles					40,742,739		40,742,739
Excise taxes, net of allowances for uncollectibles					2,715,540		2,715,540
Penalties and interest on taxes					374,774		374,774
Grants, contributions and revenues not restricted to specific programs					646,248		646,248
Investment earnings					77,492		77,492
Transfer - contribution to Other Post-Employment Benefit Trust Fund					(303,513)		(303,513)
Total general revenues and transfers					44,253,280		44,253,280
Change in net position					40,884	4,851	45,735
Net position - beginning of year					51,892,691	15,674,725	67,567,416
Net position - end of year					\$ 51,933,575	\$ 15,679,576	\$ 67,613,151

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

TOWN OF HARWICH, MASSACHUSETTS
 Balance Sheet
 June 30, 2014

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

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance of governmental funds	\$ 12,347,995
Capital assets used in governmental activities are not financial resources and are not reported on the fund basis.	69,502,023
Certain receivables are not available soon enough to pay the current period's expenditures and therefore are deferred on the fund basis, net of amount estimated to be uncollectible	7,001,483
Long term liabilities are not due and payable in the current period and are not included in funds.	(36,617,939)
Reporting liabilities on full accrual basis requires associated accrued interest, net of related subsidies and deferred outflows and inflows associated with debt issuance	(299,987)
Net position of governmental activities	<u>\$ 51,933,575</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, 2014

	General Fund	Community Preservation Fund	Allen Harbor Dredging Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and payments in lieu	\$ 39,519,903	\$ 1,163,279		\$	\$ 40,683,182
Excise taxes	2,786,762			24,681	2,811,443
Licenses, fees and permits	975,256				975,256
Penalties and interest	372,084	490			372,574
Investment earnings	37,159	4,067		49,528	90,754
Charges for services	1,147,928			620,049	1,767,977
Golf course fees	1,749,414				1,749,414
Wharfage fees	807,292				807,292
Sanitation fees	1,931,322				1,931,322
Recreational, and other departmental	707,074			743,162	1,450,236
Contributions				42,338	42,338
Intergovernmental	5,019,408	660,237		1,045,618	6,725,263
Total revenues	<u>55,053,602</u>	<u>1,828,073</u>		<u>2,525,376</u>	<u>59,407,051</u>
Expenditures:					
Current:					
General government	2,770,490	14,317		31,021	2,815,828
Public safety	8,084,187			23,722	8,107,909
Education	21,759,572				21,759,572
Public works	5,202,519	138,464		937,483	6,278,466
Human services	1,127,644	3,435		265,978	1,397,057
Culture and recreation	3,348,569	251,826	30,996	337,135	3,968,526
Employee and other insurance	9,577,145			44,352	9,621,497
State and county assessments	627,779				627,779
Debt service:					
Principal	2,825,000				2,825,000
Interest and other charges	643,018				643,018
Total expenditures	<u>55,965,923</u>	<u>408,042</u>	<u>30,996</u>	<u>1,639,691</u>	<u>58,044,652</u>
Excess (deficiency) of revenues over expenditures	(912,321)	1,420,031	(30,996)	885,685	1,362,399
Other financing sources (uses):					
Proceeds from long-term debt			2,900,000		2,900,000
Transfers in	1,127,024			61,525	1,188,549
Transfers out	(333,513)	(704,970)		(453,579)	(1,492,062)
Total other financing sources and uses	<u>793,511</u>	<u>(704,970)</u>	<u>2,900,000</u>	<u>(392,054)</u>	<u>2,596,487</u>
Net change in fund balances	(118,810)	715,061	2,869,004	493,631	3,958,886
Fund balances - beginning	5,611,038	2,264,771	(2,694,905)	3,208,205	8,389,109
Fund balances - ending	<u>\$ 5,492,228</u>	<u>\$ 2,979,832</u>	<u>\$ 174,099</u>	<u>\$ 3,701,836</u>	<u>\$ 12,347,995</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, 2014

Revenues and other financing sources over (under) expenditures and other financing uses	\$ 3,958,886
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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	1,987,168
Depreciation recorded for the fiscal year	(4,197,068)

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	(408,790)
Net change in allowance for uncollectible accounts	(154,132)

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 assets 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.

Long term debt issued during year	(2,900,000)
Principal payments on long-term debt	2,842,265
Amortization on bond premiums	8,189
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.

Net change in accrued interest expense	(4,891)
Net change in accrued revenue on subsidies	(7,107)

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 net change in these liabilities is reflected as an expense in the Statement of Activities. Net changes in liabilities are as follows:

Compensated absences	2,400
Landfill closure	18,500
Other post employment benefits	<u>(1,093,112)</u>

Change in net position of governmental activities	\$ <u>40,884</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HARWICH, MASSACHUSETTS
Statement of Net Position
Proprietary Funds
June 30, 2014

		<u>Business-type Activities</u>		<u>Water Enterprise Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$	3,127,827		
Receivable, net of allowance for uncollectibles		1,329,571		
Capital assets, net of accumulated depreciation		<u>19,302,573</u>		
Total assets				23,759,971
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding				<u>191,419</u>
Total deferred outflow of resources				<u>191,419</u>
Total assets and deferred outflows of resources	\$			<u><u>23,951,390</u></u>
LIABILITIES				
Accounts payable	\$	85,742		
Salaries and wages and withholdings payable		23,974		
Notes payable		250,000		
Accrued interest payable		95,754		
Other liabilities		<u>1,875</u>		
Total current liabilities				457,345
Non-current liabilities:				
Due within one year		516,965		
Due in more than one year		<u>7,075,852</u>		
Total non-current liabilities				<u>7,592,817</u>
Total liabilities				8,050,162
DEFERRED INFLOWS OF RESOURCES				
Unamortized bond premiums				<u>221,652</u>
Total deferred inflow of resources				221,652
NET POSITION				
Net investment in capital assets				11,929,482
Unrestricted				<u>3,750,094</u>
Total net position				<u>15,679,576</u>
Total liabilities, deferred inflows of resources and net position	\$			<u><u>23,951,390</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, 2014

	Business-type Activities
	Water Enterprise Totals
Operating revenues:	
Charges for services	\$ 3,726,728
Departmental and other	58,093
Total operating revenues	3,784,821
Operating expenses:	
Salaries, wages and employee benefits	1,554,570
Repairs, maintenance, supplies and services	974,388
Depreciation	1,004,561
Total operating expenses	3,533,519
Operating income	251,302
Non operating revenues (expenses):	
Interest expense, net amortization	(246,451)
Total non-operating revenue (expenses)	(246,451)
Change in net position	4,851
Net position at beginning of year	15,674,725
Net position at end of year	\$ 15,679,576

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, 2014

	Business-type Activities
	Water Enterprise Totals
Cash flows from operating activities:	
Receipts from customers, users and others	\$ 4,004,901
Payments to vendors	(1,266,693)
Payments to employees, including fringe benefits	<u>(1,549,169)</u>
Net cash provided (used) in operating activities	1,189,039
Cash flows from capital and related financing activities:	
Payments of long-term debt principal	(475,000)
Proceeds from temporary debt	250,000
Payments on capital leases	50,816
Capital asset acquisitions	(843,331)
Payments of interest costs	<u>(250,186)</u>
Net cash provided (used) by capital and related financing activities	(1,267,701)
Net change in cash and cash equivalents	(78,662)
Cash and cash equivalents at beginning of year	<u>3,206,489</u>
Cash and cash equivalents at end of year	<u>\$ 3,127,827</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 314,850
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,004,561
Changes in assets and liabilities:	
User fees receivable, net of allowance for collectibles	(104,379)
Accounts payable	(31,394)
Payroll payable and amounts withheld from employees	<u>5,401</u>
Total adjustments	<u>874,189</u>
Net cash provided by operating activities	<u>\$ 1,189,039</u>
Supplementary schedule of noncash capital and related financing activities:	
Amortization of bond premiums	\$ 10,623
Amortization of deferred amount on bond refunding	<u>(9,816)</u>
	<u>\$ 807</u>

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

TOWN OF HARWICH, MASSACHUSETTS
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund	Agency Accounts
<u>ASSETS</u>			
Cash and cash equivalents	\$ 70,807	\$ 303,513	\$ 11,780
Investments	385,613		
Detail receivables			43,956
Total assets	\$ 456,420	\$ 303,513	\$ 55,736
<u>LIABILITIES</u>			
Accounts payable and other current liabilities	\$	\$	\$ 31,688
Due to General Fund			24,048
Total liabilities			55,736
<u>NET POSITION</u>			
Held in trust	456,420	303,513	
Total liabilities and net position	\$ 456,420	\$ 303,513	\$ 55,736

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, 2014

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust Fund
Additions:		
Interest, dividends and market value change	\$ 61,905	\$
Total additions	61,905	
Deductions:		
Human services	1,676	
Total deductions	1,676	
Transfers:		
Transfers in		303,513
		303,513
Change in net position	60,229	303,513
Net position - beginning	396,191	
Net position - ending	\$ 456,420	\$ 303,513

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, 2014

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 assessment. Financial statements and additional operational information may be obtained from each the joint ventures by contacting each of them directly. The Town also participates a cost sharing, joint purchasing group for health insurance and a cost sharing retirement system. See the accompanying notes.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2014 payments</u>
Monomoy Regional School District 425 Crowell Road Chatham, MA 02633	To provide education for grades K-12 For Towns of Harwich and Chatham	\$ 20,337,662
Cape Cod Regional Technical High School Route 124 Harwich, MA 02645	To provide secondary vocational education for member Towns	\$ 1,421,910
Cape Cod Commission 3225 Main Street P.O. Box 226 Barnstable, MA 02630	Regional land use planning agency	\$ 193,717
Cape Cod Regional Transit Authority 585 Main Street Dennis, MA 02638	To provide public transportation	\$ 90,846
District Department of Veteran Services PO Box 429 Hyannis, MA 02601	To provide veterans' services	\$ 32,263
Pleasant Bay Resource Management Alliance P.O. Box 1584 Harwich, MA 02645	To protect the vast natural resources of the bay	\$ 16,855

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The Monomoy Regional School District (the District) is governed by an eight (8) member school committee consisting of four (4) elected representatives from the two member town. 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, regional school districts participation (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; and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental 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 following governmental fund types are 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.
- Allen Harbor Dredging Project is a capital project fund used to account for and report financial resources restricted or committed to expenditures related to dredging of the harbor. Resources consist primarily of bond proceeds when issued. While accounted for within a capital project fund, these dredging expenditures do not constitute capital acquisitions for financial reporting purposes. The associated debt service is apportioned to applicable taxpayers through betterments.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column of the governmental funds financial statements. These have been aggregated as "other governmental funds" in the fund 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, committed to expenditures for specified purposes other than debt service or 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. Currently the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of debt, except those associated with its water operations which are accounted for in the water enterprise fund for financial reporting purposes. 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, and 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 of 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. The Town is currently not using any internal service funds.

Fiduciary Funds:

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 of the Town:

- 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 can not be used for providing Town services, they are excluded from the Town's government-wide financial statements.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

- 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.

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 Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose 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.

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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

C. Cash and Investments

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

For the purpose of the Statement of Net Position, Balance Sheet and proprietary funds' Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts. Any certificates of deposit have been classified as investments for financial reporting purposes.

Investments are reported at fair value, which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Certificates of deposit are reported at carrying value, which reasonably estimates fair value. Additional cash and investment information, and fair values are presented in these notes.

D. 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.

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three or more years old as uncollectible for financial reporting purposes. The Town estimates 2% of outstanding water charges and 35% of ambulance charges to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore the Town considers such receivables to be fully collectible.

F. 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.

G. 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, 2014

Government-wide Statements

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 estimated fair value 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 netted against the cost of capital assets 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.

H. 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. 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. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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 and other post-employment obligations.

J. 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.

K. 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, or 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. 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

- 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, or 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.
- 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.

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.

L. 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.

M. 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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 2014 was \$185,944.

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. Education budgets are prepared under the direction of the respective regional school district school committees. District 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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, 2014, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Community Preservation Fund</u>	<u>Allen Harbor Dredging Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Inventories	\$ -	\$ -	\$ -	\$ 156,746	\$ 156,746
Subtotal	-	-	-	156,746	156,746
Restricted:					
General government				1,199,898	1,199,898
Public safety				381,183	381,183
Education				18,168	18,168
Public works				169,299	169,299
Human services				531,444	531,444
Culture and recreation				1,289,252	1,289,252
Community preservation		2,911,817			2,911,817
Debt service	59,735	68,015	-	-	127,750
Subtotal	59,735	2,979,832	-	3,589,244	6,628,811
Committed:					
General government	610,184		174,099	25,809	810,092
Public safety	14,255			22,308	36,563
Education	17				17
Public works	13,858			101,493	115,351
Human services	1,999				1,999
Culture & recreation	388,395	-	-	47,398	435,793
Subtotal	1,028,708	-	174,099	197,008	1,399,815
Assigned:					
General government	6,296				6,296
Public safety	4,707				4,707
Human services					
Employee benefits and other	1,500				1,500
Culture and recreation	3,750	-	-	-	3,750
Subtotal	16,253	-	-	-	16,253
Unassigned	<u>4,387,532</u>	<u>-</u>	<u>-</u>	<u>(241,162)</u>	<u>4,146,370</u>
Total	<u>\$ 5,492,228</u>	<u>\$ 2,979,832</u>	<u>\$ 174,099</u>	<u>\$ 3,701,836</u>	<u>\$ 12,347,995</u>

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 \$1,099,244 at June 30, 2014.

Deficit unassigned fund balance in the amount of \$241,162 for the Town's other governmental funds consisted of highway capital projects for which permanent financing will be obtained in subsequent periods.

TOWN OF HARWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2014

D. Restricted Net Position

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

Capital Project Funds	\$ 145,889
Special Revenue Funds:	
Community Preservation Fund	3,764,771
Other special revenue funds	<u>3,856,844</u>
Total restricted net assets	<u>\$ 7,767,504</u>

Note 4. Cash 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, 2014 deposits totaled \$17,744,095 and had a carrying amount of \$17,769,484. Of the deposit amounts, \$3,474,671 was exposed to custodial credit risk at June 30, 2014 because it was uninsured and was not collateralized by securities held specifically in the Town's name. However, the financial institution, Century Bank, has pledged debt securities issued by the U.S. Government and U.S. Sponsored Enterprises held by a third party custodian chosen by the bank. 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 an 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:

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Not Applicable</u>	<u>12 months or less</u>
Governmental activities:			
Certificates of deposit	\$ 100,196	\$ -	\$ 100,196
Money funds	94,508	94,508	
Equities	309,624	309,624	
Mutual funds-bonds	<u>163,778</u>	<u>163,778</u>	<u>-</u>
Total governmental activities	<u>\$ 668,106</u>	<u>\$ 567,910</u>	<u>\$100,196</u>
Fiduciary activities:			
Equities	\$ 213,189	\$ 213,189	
Mutual funds-bonds	62,192	62,192	
Other indexed funds	<u>110,232</u>	<u>110,232</u>	
Total fiduciary activities	<u>\$ 385,613</u>	<u>\$ 385,613</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 following table discloses the credit risk associated with the Town's investments using Standard & Poor's rating classifications as applicable:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>AA to A</u>	<u>Not Applicable or not rated</u>
Governmental activities:					
Certificates of deposit	\$ 100,196	\$ -	\$ -	\$ -	\$ 100,196
Money funds	94,508				94,508
Equities	309,624				309,624
Mutual funds-bonds	<u>163,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,778</u>
Total governmental activities	<u>\$ 668,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,106</u>
Fiduciary activities:					
Equities	\$ 213,189	\$ -	\$ -	\$ -	\$ 213,189
Mutual funds - bonds	62,192				62,192
Other indexed funds	<u>110,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,232</u>
Total fiduciary activities	<u>\$ 385,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,613</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 investments in Federated Capital Reserves and Vanguard Star Fund in the amounts of \$94,508 and \$54,211 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 5. Receivables

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have not yet been received and relate to a future reporting period. These deferred revenues have been reported as deferred inflows of resources in the financial statements.

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate, surcharge, personal property taxes	\$ 732,806	\$ -	\$ 732,806	\$ 582,362
Tax liens, deferrals and foreclosures	2,566,323		2,566,323	2,566,323
Motor vehicle and other excise	117,067	15,409	101,658	117,067
Ambulance	1,302,266	456,000	846,266	1,302,266
Betterments, departmental and other	819,338		819,338	819,338
Intergovernmental:				
Massachusetts highway awards	1,766,676		1,766,676	1,766,676
Massachusetts School Building Assistance (to be collected in future years)	<u>2,064,214</u>		<u>2,064,214</u>	<u>2,064,214</u>
Totals – Governmental Fund Basis	9,368,690		8,897,281	<u>\$ 9,218,246</u>
Accrued MSBA interest subsidy	<u>21,321</u>	<u>-</u>	<u>21,321</u>	
Totals – Entity-wide Basis	<u>\$ 9,390,011</u>	<u>\$ 471,409</u>	<u>\$ 8,918,602</u>	

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. Accordingly, in the government-wide financial statements the Town has reported \$1,766,676 as deferred inflow of resources - deferred revenue associated with these awards.

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>
Water rates, charges, liens	<u>\$ 1,356,571</u>	<u>\$ 27,000</u>	<u>\$ 1,329,571</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows. Certain beginning balances have been restated to the current year presentation.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 21,089,034	\$ 396,999	\$ -	\$ 21,486,033
Construction in progress	<u>641,455</u>	<u>128,045</u>	<u>-</u>	<u>769,500</u>
Sub-total	21,730,489	525,044		22,255,533
Capital assets being depreciated:				
Buildings and related improvements	57,008,682	155,119		57,163,801
Improvements other than buildings	4,880,624			4,880,624
Equipment, machinery & vehicles	10,187,061	1,065,800		11,252,861
Infrastructure	<u>77,072,736</u>	<u>241,205</u>	<u>-</u>	<u>77,313,941</u>
Sub-total	149,149,103	1,462,124		150,611,227
Less accumulated depreciation:				
Buildings and related improvements	30,168,735	1,866,725		32,035,460
Improvements other than buildings	3,038,471	225,880		3,264,351
Equipment, machinery & vehicles	7,786,857	453,296		8,240,153
Infrastructure	<u>58,173,606</u>	<u>1,651,167</u>	<u>-</u>	<u>59,824,773</u>
Sub-total	<u>99,167,669</u>	<u>4,197,068</u>	<u>-</u>	<u>103,364,737</u>
Governmental capital assets, net	<u>\$ 71,711,923</u>	<u>\$ (2,209,900)</u>	<u>\$ -</u>	<u>\$ 69,502,023</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,505,893	\$ -	\$ -	\$ 1,505,893
Construction in progress	<u>-</u>	<u>372,239</u>	<u>-</u>	<u>372,239</u>
Sub-total	1,505,893	372,239		1,878,132
Capital assets being depreciated:				
Buildings and related improvements	4,606,543			4,606,543
Equipment, machinery & vehicles	2,163,504	333,600		2,497,104
Infrastructure	<u>36,301,203</u>	<u>137,492</u>	<u>-</u>	<u>36,438,695</u>
Sub-total	43,071,250	471,092	-	43,542,342
Less accumulated depreciation:				
Buildings and related improvements	286,455	127,593		414,048
Equipment, machinery & vehicles	626,705	145,742		772,447
Infrastructure	<u>24,200,180</u>	<u>731,226</u>	<u>-</u>	<u>24,931,406</u>
Sub-total	<u>25,113,340</u>	<u>1,004,561</u>	<u>-</u>	<u>26,117,901</u>
Business-type capital assets, net	<u>\$ 19,463,803</u>	<u>\$ (161,230)</u>	<u>\$ -</u>	<u>\$ 19,302,573</u>

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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	\$ 125,396
Public safety	543,619
Education	991,931
Public works	2,240,655
Health services	177,173
Culture and recreation	<u>118,294</u>
Total depreciation expense – governmental activities	<u>\$ 4,197,068</u>
Business-type activities:	
Water enterprise	<u>\$ 1,004,561</u>

Note 7. Interfund Balances and Activity

There were no inter-fund receivables/payables at June 30, 2014. Inter-fund transfers for the fiscal year ended June 30, 2014, consisted of the following:

	<u>Governmental Fund basis</u>	<u>Governmental Fund basis Community Preservation Fund</u>	<u>Governmental Fund basis Other Governmental Funds</u>	<u>Fiduciary Fund OPEB Trust Fund</u>
Amounts transferred from special revenue funds to general fund to fund fiscal year budget and other transfers	\$ 422,054	\$ -	\$ (422,054)	\$ -
Transfers for police/fire claims	(30,000)		30,000	
Contribution to other post-employment benefit trust Fund	(303,513)			303,513
Amounts transferred from Community Preservation Act (CPA fund) to fund related fiscal year debt service	<u>704,970</u>	<u>(704,970)</u>	<u>-</u>	<u>-</u>
Total net transfers	<u>\$ 793,511</u>	<u>\$ (704,970)</u>	<u>\$ (392,054)</u>	<u>\$ 303,513</u>

Town Meeting adopted MGL Chapter 32B, Section 20, establishing a trust fund for other post-employment benefits. Upon adoption, the Town transferred \$303,513 into the trust fund which had previously been maintained in a separate stabilization fund.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

<u>Purpose</u>	<u>Balance</u> <u>July 01, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Refunding 2002 issue, Golf clubhouse dtd 10/2012, 2.0-3.0%, due 11/1/2022	\$ 485,000	\$ -	\$ 65,000	\$ 420,000	\$ 65,000
Refunding 2002, issues, Land acquisition, 2.0-3.0% dtd 10/2012, due 11/1/2022	310,000		40,000	270,000	40,000
General obligation bonds, 3.75%, dtd 12/1/2003, advance refunding	240,000		240,000		
Refunding 2003, issues, advance, 2.0- 3.0%, dtd 10/2012, due 11/1/2013	2,265,000		5,000	2,260,000	245,000
Golf irrigation system bonds, 4.29%, dtd 3/15/2005, advance refunding	230,000		115,000	115,000	115,000
Refunding 2003, issues Golf irrigation, advance, 2.0-3.0%, dtd 10/2012, due 11/1/2013	505,000		5,000	500,000	5,000
Road betterment bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2022	140,000		20,000	120,000	15,000
Land acquisition bonds, 3.68%, dtd 6/15/2005, due 6/15/2020	625,000		90,000	535,000	90,000
Golf course bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	695,000		80,000	615,000	80,000
School roof bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	450,000		55,000	395,000	55,000
Remodeling bonds, 4.00 to 5.75%, dtd 10/15/2006, due 11/15/2021	95,000		15,000	80,000	10,000
Police Station bonds, 4.25%, dtd 2/15/2009, due 2/15/2029	6,950,000		450,000	6,500,000	450,000
Refunding bonds, 2.00 to 5.00%, dtd 9/16/2009, due 9/15/2020	6,490,000		1,635,000	4,855,000	1,285,000
Road maintenance bonds, 2.00 to 5.00%, dtd 9/16/2009, due 9/15/2020	60,000		10,000	50,000	10,000
Massachusetts Clean Water Trust, subsidized septic bonds, dtd. 5/5/2005, due 8/1/2023	69,686		6,436	63,250	6,529
Massachusetts Clean Water Trust, subsidized septic bonds, dtd. 10/6/1999, due 8/1/2020	86,850		10,829	76,021	10,829
Allen Harbor dredging, 2.0 to 2.75% dtd 7/15/2013, due 7/15/2022	-	<u>2,900,000</u>	-	<u>2,900,000</u>	<u>330,000</u>
Total long-term bonds	19,696,536	2,900,000	2,842,265	19,754,271	2,812,358
Other post employment benefits	14,421,451	3,040,736	1,947,624	15,514,563	
Landfill closure and monitoring liability	333,000		18,500	314,500	18,500
Compensated absences, net	<u>1,037,000</u>	-	<u>2,400</u>	<u>1,034,600</u>	-
Total governmental activities	<u>\$ 35,487,987</u>	<u>\$ 5,940,736</u>	<u>\$ 4,810,789</u>	<u>\$ 36,617,934</u>	<u>\$ 2,830,858</u>

TOWN OF HARWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2014

<u>Purpose</u>	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Business-type activities:					
Water tank construction bonds, 4.29%, dtd 3/15/2005, refunded	\$ 195,000	\$ -	\$ 100,000	\$ 95,000	\$ 95,000
Water treatment facility bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2036	3,120,000		130,000	2,990,000	130,000
Water tank construction bonds, 2.00 to 4.00%, dtd 10/1/2011, due 10/1/2022	1,395,000		155,000	1,240,000	155,000
Water treatment facility bonds, 3.42%, dtd 3/15/2010, due 3/15/2030	1,275,000		75,000	1,200,000	75,000
Refunding issue of 2005, 4.0-5.0%, dtd 10/16/2012, due 3/15/2034	<u>1,920,000</u>	<u>-</u>	<u>15,000</u>	<u>1,905,000</u>	<u>15,000</u>
Total bonds payable	7,905,000		475,000	7,430,000	470,000
Capital leases		146,633	50,816	95,817	46,965
Compensated absences, net	<u>59,500</u>	<u>7,500</u>	<u>-</u>	<u>67,000</u>	<u>-</u>
Total business-type activities noncurrent liabilities	<u>\$ 7,964,500</u>	<u>\$ 154,133</u>	<u>\$ 525,816</u>	<u>\$ 7,592,817</u>	<u>\$ 516,965</u>

Long-term debt

In October 2012, the Town issued refunding bonds in the aggregate of \$5,485,000 of which, \$3,565,000 and \$1,920,000 related to governmental and business-type activities respectively. As a result of the refunding, proceeds were used to purchase U.S. government securities deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds were repaid pursuant to the refunding agreement in March 2015. The issuance costs and premiums associated with the refunding bonds issued in October 2012 are being amortized on a straight-line basis over the remaining life of the old debt of approximately 21 years. Additionally, the difference between the par value of the old bonds and the reacquisition price is recorded as a deferred amount on the refunding. These amounts are reflected as deferred outflows of resources and deferred inflows of resources. See Note 9.

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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2014, including interest, are as follows:

Year Ending June 30,	<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>
2015	\$ 2,812,358	\$ 687,153	\$ 3,499,511	\$ 470,000	\$ 307,410	\$ 777,410
2016	2,802,358	545,116	3,347,474	470,000	211,913	681,913
2017	2,777,358	452,697	3,230,055	470,000	198,377	668,377
2018	1,782,358	377,935	2,160,293	470,000	183,038	653,038
2019	1,762,358	319,474	2,081,832	470,000	167,438	637,438
2020 – 2024	5,772,481	859,133	6,631,614	2,020,000	629,477	2,649,477
2025 – 2029	2,045,000	240,960	2,285,960	1,510,000	378,859	1,888,859
2030 – 2034				1,160,000	159,571	1,319,571
2035 – 2037	-	-	-	390,000	21,060	411,060
Totals	<u>\$ 19,754,271</u>	<u>\$ 3,482,468</u>	<u>\$ 23,236,739</u>	<u>\$ 7,430,000</u>	<u>\$ 2,257,143</u>	<u>\$ 9,687,143</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.

Unissued debt authorizations consist of the following at June 30, 2014:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
Water treatment facility construction	2010	\$ 250,000
Road improvements	2013	172,000
Road maintenance program	2013	500,000
Muddy Creek bridge	2014	4,500,000
Greensand water treatment facility	2014	1,960,000
Town piers and bulkheads	2014	1,704,000
Road maintenance program	2014	500,000
Land acquisition	2014	825,000
		<u>\$ 10,411,000</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, 2014.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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 has two capital leases for vehicles utilized at the water department; the aggregate amount which has been capitalized is \$146,633. Future payments, inclusive of interest for fiscal year 2015 and fiscal year 2016 are \$50,817 each 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 associated with long term financing. These deferred outflows of resources and deferred inflows of resources for governmental activities relating to bond issuance are reported only in the government-wide financial statements. See also Note 5.

	<u>Balance July 01, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Deferred outflows of resources:				
Deferred amount on refunding	\$ 234,200	\$ -	\$ 11,424	\$ 222,776
Total deferred outflows of resources	<u>\$ 234,200</u>	<u>\$ -</u>	<u>\$ 11,424</u>	<u>\$ 222,776</u>
Deferred inflow of resources:				
Unamortized bond premiums	<u>\$ 335,761</u>	<u>\$ -</u>	<u>\$ 8,189</u>	<u>\$ 327,572</u>
Business-type activities-				
Deferred outflows of resources:				
Deferred amount on refunding	\$ 201,235	-	9,816	191,419
Total deferred outflows of resources	<u>\$ 201,235</u>	<u>\$ -</u>	<u>\$ 9,816</u>	<u>\$ 191,419</u>
Deferred inflow of resources:				
Unamortized bond premiums	<u>\$ 232,275</u>	<u>\$ -</u>	<u>\$ 10,623</u>	<u>\$ 221,652</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).

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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, 2014 are as follows:

Type/Purpose	Loan Date	Maturity Date	Interest Rate	Beginning Balance	Issued	Retirements	Ending Balance
Governmental Activities:							
BAN-Allen Harbor dredging	6/28/2013	7/31/2013	0.40%	\$1,000,000	\$ -	\$ 1,000,000	\$ -
BAN-Allen Harbor dredging	6/28/2013	7/31/2013	0.44%	1,900,000		1,900,000	
BAN - Roads/highway	6/26/2014	6/26/2015	0.50%	-	500,000	-	500,000
Total governmental activities				<u>\$2,900,000</u>	<u>\$ 500,000</u>	<u>\$ 2,900,000</u>	<u>\$ 500,000</u>
Business-type activities:							
BAN-water	6/26/2014	6/26/2015	0.50%	\$ -	\$ 250,000	\$ -	\$ 250,000

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has reported a deficit fund balance in the associated capital projects fund. Deficit balances will be funded through long-term borrowing.

On June 26, 2015, the Town issued temporary notes in the amount of \$2,403,000, at an interest rate of .45%, scheduled to mature June 26, 2016. The following amounts and projects comprise the detail of these notes: \$900,000- road maintenance, \$478,000- town pier, \$200,000 Greensands treatment facility and \$825,000 - land acquisition.

Note 11. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Harwich, Massachusetts contributes for eligible employees, other than teachers, to the Barnstable County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The Association issues an annual report which is available to the public and may be obtained by contacting the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, MA 02108. Teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System (MTRS), to which the Town does not contribute. Information pertaining to the MTRS may also be obtained by contacting PERAC.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year's gross contribution is \$2,211,238 representing approximately 4.64% of the system wide employer assessments which was equal to the required contribution. The System offered a discount for paying the entire assessment in July. The Town paid \$2,170,097 for a savings of approximately \$41,000. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the Association for the years ending June 30, 2013 and 2012 were \$2,656,123 and \$2,495,764, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to MTRS. Contributions to the MTRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting Principles Generally Accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$3,433,822 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as employee benefits and other insurance operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and employee insurance expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis statements.

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 and prescription drug 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 participants as of June 30, 2012, the effective date of the valuation was 514, which includes retirees, beneficiaries, and dependent members of 355 and active members of 162. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances. The Town's net obligation for all of its plan's members have been recorded within the governmental activities as of June 30, 2014.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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, 2014 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)	\$	2,918,121
Interest on net OPEB obligation		648,965
ARC adjustment		<u>(526,350)</u>
Annual OPEB cost		3,040,736
Contributions made		<u>(1,947,624)</u>
Increase in net OPEB obligation		1,093,112
Net OPEB obligation, beginning of year		<u>14,421,451</u>
Net OPEB obligation, end of year	\$	<u>15,514,563</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year <u>Ended</u>	Annual OPEB <u>Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2014	\$ 3,040,736	64.05%	\$ 15,514,563
6/30/2013	\$ 2,921,960	62.17%	\$ 14,421,451
6/30/2012	\$ 5,674,081	44.00%	\$ 13,316,079

Funding Status and Schedule of Funding Progress

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

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(b) / (a) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll
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
6/30/2008	\$ -	\$ 70,177,265	\$ 70,177,265	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, 2012 valuation:

- Actuarial Cost Method: Projected Unit Credit
- Amortization Method: Amortization payments increasing at 4.5%
- Amortization Period: 30 years open
- Asset Valuation Method: Market value
- Investment Rate of Return: 4.50%, pay as you go scenario
- Inflation Rate: 4.0%
- Dental: None
- Healthcare Trend Rates: 8% decreasing by 0.50% for 6 years to an ultimate level of 5.0% per year

Note 12. Landfill Closure and Postclosure 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, 2014, \$314,500 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.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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.

As discussed in Note 1, 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. The Town budgets, annually for its estimated 75% share of contributions which approximated \$3.5 million for fiscal year 2014. 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, 2014. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

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. Implementation of GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are the Town required to be evaluated for implementation.

Current pronouncements

The GASB issued Statement #66, *Technical Corrections – 2012*, an amendment of GASB Statements No.10 and No. 62, which was required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The pronouncement had no effect on the Town's financial statements.

The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. The pronouncement had no effect on the Town's financial statements.

TOWN OF HARWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The GASB issued Statement #70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. The pronouncement had no effect on the Town's financial statements.

Future pronouncements

The GASB issued Statement #68, Accounting and Financial Reporting for Pension, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #71, Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68, which is required to be implemented in fiscal year 2015. The pronouncement addresses application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Town will evaluate the effect of the pronouncement with the implementation of Statement No. 68.

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

The GASB issued Statement #75, 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 to implement the pronouncement as applicable.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP). The Town expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HARWICH, MASSACHUSETTS

Required Supplementary Information
Schedule of Funding Progress for the Town's
Pension Benefit Plan and Notes
June 30, 2014

Pension plan

The District contributes to the Barnstable County Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan (the Plan) administered by the Barnstable County Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. MGL Chapter 32 assigns authority to establish and amend benefit provisions of the Plan. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among Plan participants based on active covered payroll. The following information presented relates to the cost sharing plan as a whole, of which the Town is one participating member.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits. This information is designed to be helpful for understanding the scale of the information presented relative to the Town. Projection of benefits for financial reporting purposes does not explicitly incorporate any potential effects of legal or contractual funding limitations that may be applicable.

**Barnstable County Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent of Covered Payroll (b-a)/c
1/1/2014	\$ 776,973,700	\$ 1,353,810,101	\$ 576,836,401	57.4%	\$ 253,920,106	227.2%
1/1/2012	651,063,981	1,173,483,848	522,419,867	55.5%	239,437,303	218.2%
1/1/2010	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%

The Town's share of the unfunded actuarial accrued liability (UAAL) as of the January 1, 2014 valuation is approximately \$26.8 million, or 4.64% of the total.

The following actuarial methods and assumptions were used in the System's most recent actuarial valuation dated January 1, 2014.

- a. Actuarial cost method: Individual entry age normal actuarial cost method
- b. Plan asset valuation: Sum of actuarial value at the beginning of the 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.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress for the Town's
Pension Benefit Plan and Notes
June 30, 2014

- c. Cost of living increases: Cost of living increases have been assumed to be 3.0% of the first \$15,000 of retirement income.
- d. Investment rate of return: 7.75%.
- e. Projected salary increases: Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group2, and 4.75% for Group 4.
- f. Retirement rates: These rates vary based upon age and group for general employees with 100% expected to be retired by age 70 for groups 1 and 2 and at age 65 for group 4.
- g. Mortality: It is assumed that both pre-retirement, healthy retirement, and disabled retirement mortality are represented by the RP-2000 Mortality Table for males and females, with projection Scale AA for 12 years.
- h. Family composition: It is assumed that 75% of all members will be survived by a spouse and that females (males) are three years younger (older) than spouse and no children of retired participants.

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress for the Town's Retiree Benefit Plan- OPEB
 June 30, 2014

Funding Status and Schedule of Funding Progress

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis. Additional information as of the latest valuation follows:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL)</u>	<u>(b) - (a) Unfunded AAL (UAAL)</u>	<u>(b) / (a) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll</u>
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
6/30/2008	\$ -	\$ 70,177,265	\$ 70,177,265	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, 2012 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: 4.5%, pay as you go scenario
- Inflation Rate: 4.0%
- Dental: None
- Healthcare Trend Rates: 8% decreasing by 0.50% for 6 years to an ultimate level 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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes and payment in lieu	\$ 39,391,278	\$ 39,391,278	\$ 39,467,868	\$ 76,590
Excise taxes	2,424,000	2,424,000	2,786,762	362,762
Recreational fees	2,800,000	2,800,000	2,894,051	94,051
Sanitation fees	1,499,422	1,499,422	1,931,322	431,900
Charges for service	950,000	950,000	1,147,928	197,928
Licenses, permits, fines and other departmental	1,073,000	1,073,000	1,344,985	271,985
Penalties and interest	275,000	275,000	372,084	97,084
Investment interest	15,000	15,000	28,572	13,572
Intergovernmental	<u>1,592,092</u>	<u>1,592,092</u>	<u>1,585,586</u>	<u>(6,506)</u>
Total revenues	50,019,792	50,019,792	51,559,158	1,539,366
Expenditures				
General government	3,568,539	3,019,544	2,816,883	202,661
Public safety	8,374,783	8,355,822	8,084,187	271,635
Education	21,759,589	21,759,572	21,759,572	
Public works	4,861,722	5,214,274	5,202,519	11,755
Human services	1,115,039	1,153,540	1,127,644	25,896
Culture and recreation	3,779,887	3,410,242	3,348,569	61,673
Employee benefits and other insurances	6,899,012	6,897,512	6,655,386	242,126
State and county assessments	609,604	609,604	627,779	(18,175)
Debt service	<u>3,528,883</u>	<u>3,528,883</u>	<u>3,468,018</u>	<u>60,865</u>
Total expenditures	<u>54,497,058</u>	<u>53,948,993</u>	<u>53,090,557</u>	<u>858,436</u>
Revenues over (under) expenditures	(4,477,266)	(3,929,201)	(1,531,399)	2,397,802
Other financing sources (uses)				
Transfers in from other funds	1,626,857	1,626,857	1,649,564	22,707
Transfers out to other funds		(100,000)	(100,000)	
Total other financing sources (uses)	<u>1,626,857</u>	<u>1,526,857</u>	<u>1,549,564</u>	<u>22,707</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(2,850,409)	(2,402,344)	<u>\$ 18,165</u>	<u>\$ 2,420,509</u>
Other budget items				
Reappropriated fund balance - articles	35,600	35,600		
Free cash appropriations	1,195,300	1,640,300		
Appropriation deficits	(15,414)	(15,414)		
Overlay surplus	100,000	100,000		
Carryover articles and encumbrances	<u>1,534,923</u>	<u>641,858</u>		
Total other budget items	<u>2,850,409</u>	<u>2,402,344</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
 Budgetary Comparison Schedule - Community Preservation Fund
 For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes, penalties and interest	\$ 1,126,882	\$ 1,126,882	\$ 1,163,769	\$ 36,887
Investment interest			4,067	4,067
Intergovernmental	<u>338,065</u>	<u>338,065</u>	<u>660,237</u>	<u>322,172</u>
Total revenues	1,464,947	1,464,947	1,828,073	363,126
Expenditures				
Total expenditures	<u>1,394,694</u>	<u>628,043</u>	<u>408,042</u>	<u>220,001</u>
Revenues over (under) expenditures	70,253	836,904	1,420,031	583,127
Other financing sources (uses)				
Transfers out to other funds	<u>(704,970)</u>	<u>(704,970)</u>	<u>(704,970)</u>	<u></u>
Total other financing sources (uses)	<u>(704,970)</u>	<u>(704,970)</u>	<u>(704,970)</u>	<u></u>
Revenues and other financing sources over (under) expenditures and other financing uses	(634,717)	131,934	<u>\$ 715,061</u>	<u>\$ 583,127</u>
Other budget items				
Available fund balance	<u>634,717</u>	<u>(131,934)</u>		
Total other budget items	<u>634,717</u>	<u>(131,934)</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

TOWN OF HARWICH, MASSACHUSETTS
Notes to Required Supplementary Information
June 30, 2014

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 committee is 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, 2014, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 51,559,158	\$ 53,090,557	\$ 1,549,564
Indirect charges for water fund		(522,540)	(522,540)
Stabilization funds interest income	8,587		
Transfer from special stabilization fund - to OPEB trust fund			(303,513)
Timing of other expenditures and transfers		(35,916)	(30,000)
Transfer to stabilization fund			100,000
Adjustment of property tax revenues to modified accrual basis and provision for refund of paid taxes	52,035		
State funded teacher's pension	<u>3,433,822</u>	<u>3,433,822</u>	-
As reported on a GAAP basis	<u>\$ 55,053,602</u>	<u>\$ 55,965,923</u>	<u>\$ 793,511</u>

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