

**TOWN OF SANDWICH, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

**TOWN OF SANDWICH, MASSACHUSETTS
 BASIC FINANCIAL STATEMENTS AND
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013**

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Sandwich, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sandwich, Massachusetts (the "Town"), as of and for the year ended June 30, 2013, 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 of 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 of 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 on the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the operating effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes in financial position 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, budgetary comparison information, and schedule of funding progress on pages iii through ix and 32 through 35 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The schedule of marina revenues, transfers, expenditures and changes in fund balances on page 36 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of marina revenues, transfer, expenditures and changes in fund balances is the responsibility of management and was derived from and relates directly to the underlying accounting records and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2014, on our consideration of Town's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Lynch, Malloy, Marini, LLP

July 9, 2014
Norwell, Massachusetts

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

As management of the Town of Sandwich (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 year ended June 30, 2013.

Financial Highlights:

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$134.8 million (net position).
- The Town reports a deficit of \$7.6 million (\$3.5 million deficit at June 30, 2012) in unrestricted net position primarily due to the increase in the noncurrent liabilities including \$4.2 million increase in OPEB liability to \$22.3 million (\$18.0 million at June 30, 2012).
- The total cost of all Town services for fiscal year 2013 was approximately \$87 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$2.7 million or approximately 3.8% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's 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, 4) required supplementary information and 5) supplementary information regarding the Town's marina's operations were also included.

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, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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. The Town has no business-type activities.

TOWN OF SANDWICH, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2013

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 remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

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

Proprietary funds: The Town of Sandwich does not report any activity in a proprietary fund.

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs.

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Town implemented certain new GASB pronouncements during the year which changed certain reporting classifications from previous years. These notes provide additional information related to these changes which are essential in understanding the current financial statements and comparisons with previous year. The notes to the financial statements follow the basic financial statements described above.

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

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).

Supplementary information: The Town has elected to include additional supplementary information, which is not required information under GASB, schedule of marina revenues, transfers, expenditures and changes in fund balance.

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 Sandwich, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$134.8 million at the close of the most recent fiscal year as demonstrated in the following table. Certain prior period amounts have been reclassified to correspond with the current year presentation.

| | FY2013 | FY2012 |
|-----------------------------------------------------|--------------------------|-----------------------------|
| | Governmental | Governmental |
| | <u>Activities</u> | <u>Activities</u> |
| Current assets | \$ 36,610,862 | \$ 35,876,750 |
| Capital assets | 159,622,107 | 158,659,686 |
| Total assets | <u>196,232,969</u> | <u>194,536,436</u> |
| Deferred outflows of resources | <u>1,519,364</u> | <u> </u> |
| Total assets and deferred outflows of resources | <u>197,752,333</u> | <u>194,536,436</u> |
| Current liabilities | 12,349,429 | 9,394,649 |
| Long-term liabilities | 49,190,536 | 46,460,541 |
| Total liabilities | <u>61,539,965</u> | <u>55,855,190</u> |
| Deferred inflows of resources | <u>1,404,322</u> | <u>172,774</u> |
| Total liabilities and deferred inflows of resources | 62,944,287 | 56,027,964 |
| Net Position: | | |
| Net investment in capital assets | 129,480,559 | 127,218,429 |
| Restricted | 12,956,560 | 14,840,762 |
| Unrestricted | <u>(7,629,073)</u> | <u>(3,550,719)</u> |
| Total net position | <u>\$ 134,808,046</u> | <u>\$ 138,508,472</u> |

Included within the governmental activity current assets, unrelated to capital assets, are \$6,651,214 in future year School construction reimbursement grants and \$1,286,323 in state highway construction grants.

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

Governmental activity long-term liabilities include \$24.7 million in general obligation bonds. The balance of bonds payable at year end of \$3.2 million has been classified as a current liability because it is due in the following year. Long-term liabilities also include \$1,120,000 for landfill closure and monitoring, \$1,094,500 for compensated absences and \$22,286,488 for other post employment benefits.

The largest portion of the Town's net position \$129.5 million, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt and deferred outflows associated with those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position \$12.9 million represents resources that are subject to restrictions placed on how they may be used. The Town's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was a deficit of \$7.6 million.

Governmental activities decreased the Town's net position by \$3.7 million or 2.7% during fiscal year 2013. A summary of revenues and major functional expenditures is presented below. Key elements of current year fluctuations include the following:

Revenues:

- ◆ Property taxes of \$51.8 million make up the largest share (62%) of the Town's governmental revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½ and new growth in addition to debt and capital exclusions approved at Town meeting.
- ◆ Operating grants and contributions of \$15.7 million make up the second largest revenue representing approximately (18%) of the Town's 2013 revenue. Education grants and contributions of \$13.4 million comprise the largest component of these revenues. This is primarily due to \$6.5 million of chapter 70 state aid, \$4.4 million from Massachusetts Teachers Retirement System on behalf payment and other revenues.
- ◆ Capital grants and contributions of \$2.9 million increased by \$1.6 million from the prior year due to \$1.8 million of reimbursement received from the Massachusetts School Building Authority in relation to the Town's school construction projects for eligible costs.

Expenses:

Total expenses of the Town increased approximately \$2.0 million from the previous year. This increase was due primarily to higher education expenditures, which was budgeted by the Town, and increased by approximately \$2.8 million. This increase was offset by savings by the Town in other functional areas.

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

| | FY2013 | FY2012 |
|----------------------------------------|--------------------------|--------------------------|
| | Governmental | Governmental |
| | <u>Activities</u> | <u>Activities</u> |
| Program revenues: | | |
| Charge for services | \$ 8,081,866 | \$ 8,786,131 |
| Operating grants and contributions | 15,693,078 | 16,944,584 |
| Capital grants and contributions | 2,893,094 | 1,285,736 |
| General revenues: | | |
| Property taxes, net of allowances | 51,800,041 | 49,477,140 |
| Excise taxes | 2,898,268 | 2,667,887 |
| Penalties and interest | 336,547 | 392,464 |
| Grant and contributions not restricted | 1,610,086 | 1,605,937 |
| Investment income | 112,554 | 103,108 |
| Miscellaneous | <u>111,339</u> | <u>230,625</u> |
| Total revenues | 83,536,873 | 81,493,612 |
| Expenses: | | |
| General government | 20,522,510 | 21,064,747 |
| Public safety | 8,277,704 | 8,168,033 |
| Education | 43,972,049 | 41,175,236 |
| Public works | 5,317,959 | 5,945,236 |
| Health and human services | 613,462 | 602,082 |
| Culture and recreation | 4,433,331 | 4,680,028 |
| Interest on long-term debt | 1,307,688 | 1,238,135 |
| State and county charges | <u>2,792,596</u> | <u>2,321,324</u> |
| Total expenses | 87,237,299 | 85,194,821 |
| Change in net position | <u>\$ (3,700,426)</u> | <u>\$ (3,701,209)</u> |

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 the Town's 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. Any negative unassigned fund balance represent expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$14.5 million, a decrease of approximately \$2.9 million, from \$17.4 million at the end of the prior fiscal year due primarily to school construction projects. The governmental funds' combined ending fund balances were reported in the following classification: non-spendable fund balance of \$278,626, restricted fund balance of \$10,756,692, committed fund balance of \$1,332,929, assigned fund balance of \$1,897,252 and unassigned fund balance of \$211,865.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$5.9 million, a decrease of \$0.4 million from the previous year. Of this amount \$1.3 million (22%) represents committed fund balance and \$1.9 million (32%) represents assigned fund balance of total general fund balance. Unassigned fund balance of \$2.6 million (46%) of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.8% of total general fund expenditures, while total fund balance represents 8.3% of that same amount.

The Town's general fund unassigned fund balance of approximately \$2.7 million is 3.9% of general fund revenue.

General Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The difference between the original expenditure budget of \$72.4 million and the final amended budget of \$68.7 million can be briefly summarized as follows:

- ◆ Continuing appropriations (warrant articles) of approximately \$3.7 million was reduced from the original budget figure into future periods.

Capital Asset and Debt Administration

The Town annually prepares a capital budget for the upcoming fiscal year and a five-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, 2013 amounts to approximately \$159.6 million (\$158.7 million at June 30, 2012), which is net of accumulated depreciation of \$143.7 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

TOWN OF SANDWICH, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2013

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

| Capital Assets | <u>Governmental Activities</u> | |
|------------------------------------|---------------------------------------|------------------------|
| | <u>2013</u> | <u>2012</u> |
| Land | \$ 91.3 | \$ 91.3 |
| Construction in process | 5.3 | 1.3 |
| Buildings and related improvements | 45.6 | 47.3 |
| Improvements other than buildings | 0.3 | 0.4 |
| Equipment, machinery, and vehicles | 3.4 | 2.9 |
| Infrastructure | <u>13.7</u> | <u>15.5</u> |
| | <u>\$ 159.6</u> | <u>\$ 158.7</u> |

The Town's major additions to governmental activities capital asset additions consisted of the following:

- \$4.1 million of construction in progress related to the elementary school construction projects
- \$776,000 for a fire rescue boat
- \$398,000 for police and fire department vehicles

Debt Obligations - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$27.9 million (\$29.2 million at June 30, 2012) for the governmental activities. The Town paid down principal of approximately \$2.8 million and with refunding bonds of \$14,045,000 defeased \$12,490,000 of old debt during the year with the proceeds. As of June 30, 2013, the Town had \$3.75 million (\$2.25 million at June 30, 2012) of temporary loans outstanding. Subsequent to year end the temporary loans matured on December 3, 2013 and the \$3.75 million was rolled over with a maturity date of June 15, 2014.

The Town maintains an AA rating from Standard & Poor's Investor's Service.

Economic Factors and Next Year's Budgets and Rates

- ◆ The Town has increased its property tax levy by 5.6% from fiscal year 2013 to fiscal year 2014, which includes new growth and debt exclusion.

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 Sandwich, Attn: Town Accountant, 130 Main Street, Sandwich, MA 02563.

BASIC FINANCIAL STATEMENTS

TOWN OF SANDWICH, MASSACHUSETTS

Statement of Net Position

June 30, 2013

| | Primary Government Governmental Activities/Totals |
|----------------------------------------------------------------------|------------------------------------------------------------------|
| <u>ASSETS</u> | |
| Cash and equivalents | \$ 22,029,414 |
| Investments | 808,490 |
| Receivables, net of allowance for uncollectible | 13,772,958 |
| Capital assets, net of accumulated depreciation | <u>159,622,107</u> |
| Total Assets | 196,232,969 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Deferred amount on bond refunding | <u>1,519,364</u> |
| Total deferred outflows of resources | 1,519,364 |
| Total assets and deferred outflows of resources | <u>\$ 197,752,333</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 1,666,511 |
| Accrued salaries and amounts withheld from employees | 3,129,941 |
| Accrued interest | 496,493 |
| Provision for refund of paid taxes | 85,131 |
| Notes payable | 3,750,000 |
| Noncurrent liabilities | |
| Due within one year | 3,221,353 |
| Due in more than one year | <u>49,190,536</u> |
| Total liabilities | 61,539,965 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Deferred revenue | 1,286,324 |
| Unamortized bond premiums | <u>117,998</u> |
| Total deferred inflows of resources | 1,404,322 |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 129,480,559 |
| Restricted | 12,956,560 |
| Unrestricted | <u>(7,629,073)</u> |
| Total net position | <u>134,808,046</u> |
| Total liabilities, deferred inflow of resources and net position | <u>\$ 197,752,333</u> |

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

TOWN OF SANDWICH, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2013

| Functions/Programs Primary government | Program Revenue | | | Capital Grants and Contributions | Governmental Activities/Totals | Net (Expense) Revenue and Changes in Net Position Primary Government |
|--------------------------------------------------------------|-----------------|-------------------------|---------------------------------------|----------------------------------------|-----------------------------------|-------------------------------------------------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | | |
| Governmental Activities | | | | | | |
| General Government | \$ 20,522,510 | \$ 276,697 | \$ 465,538 | \$ | \$ (19,780,275) | |
| Public Safety | 8,277,704 | 330,615 | 605,601 | 1,087,377 | (6,254,111) | |
| Education | 43,972,049 | 3,753,136 | 13,442,526 | 1,805,717 | (24,970,670) | |
| Public Works | 5,317,959 | 952,202 | 518,486 | | (3,847,271) | |
| Health and Human Services | 613,462 | 71,450 | 71,760 | | (470,252) | |
| Culture and Recreation | 4,433,331 | 2,697,766 | 589,167 | | (1,146,398) | |
| Interest and other charges | 1,307,688 | | | | (1,307,688) | |
| State and county charges | 2,792,596 | | | | (2,792,596) | |
| Total governmental activities/ primary government | \$ 87,237,299 | \$ 8,081,866 | \$ 15,693,078 | \$ 2,893,094 | (60,569,261) | |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, net of allowances for uncollectibles | | | | | 51,800,041 | |
| Excise taxes | | | | | 2,898,268 | |
| Penalties and interest on taxes | | | | | 336,547 | |
| Grants and contributions not restricted to specific programs | | | | | 1,610,086 | |
| Unrestricted investment earnings | | | | | 112,554 | |
| Miscellaneous | | | | | 111,339 | |
| Total general revenues | | | | | 56,868,835 | |
| Change in net position | | | | | (3,700,426) | |
| Net position - beginning of year | | | | | 138,508,472 | |
| Net position - end of year | | | | | \$ 134,808,046 | |

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

TOWN OF SANDWICH, MASSACHUSETTS
Balance Sheet - Governmental Funds
June 30, 2013

| ASSETS | General Fund | CPA Fund | CPF School Construction | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|-------------------------|--------------------------|--------------------------|
| Cash and cash equivalents | \$ 10,132,685 | \$ 3,419,345 | \$ 1,264,051 | \$ 7,213,336 | \$ 22,029,414 |
| Investments | | | | 808,490 | 808,490 |
| Taxes receivable, net | 10,622,511 | 852,794 | | 2,697,518 | 14,172,823 |
| Total assets | <u>\$ 20,755,196</u> | <u>\$ 4,272,139</u> | <u>\$ 1,264,051</u> | <u>\$ 10,719,344</u> | <u>\$ 37,010,727</u> |
| | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,260,658 | \$ | \$ | \$ 405,853 | \$ 1,666,511 |
| Salaries payable | 3,029,319 | | | | 3,029,316 |
| Amounts withheld from employees | 100,617 | | | | 100,617 |
| Provisions for refund of paid taxes | 85,131 | | | | 85,131 |
| Notes payable | | | 3,750,000 | | 3,750,000 |
| Total liabilities | <u>4,475,725</u> | | <u>3,750,000</u> | <u>405,853</u> | <u>8,631,575</u> |
| | | | | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred revenue | 10,351,476 | 852,794 | | 2,697,518 | 13,901,788 |
| Total deferred inflows of resources | <u>10,351,476</u> | <u>852,794</u> | | <u>2,697,518</u> | <u>13,901,788</u> |
| | | | | | |
| FUND BALANCES | | | | | |
| Nonspendable | | | | 278,626 | 278,626 |
| Restricted | | | | 7,337,347 | 10,756,692 |
| Committed | 1,332,929 | 3,419,345 | | | 1,332,929 |
| Assigned | 1,897,252 | | | | 1,897,252 |
| Unassigned | 2,697,814 | | (2,485,949) | | 211,865 |
| Total fund balances | <u>5,927,995</u> | <u>3,419,345</u> | <u>(2,485,949)</u> | <u>7,615,973</u> | <u>14,477,364</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 20,755,196</u> | <u>\$ 4,272,139</u> | <u>\$ 1,264,051</u> | <u>\$ 10,719,344</u> | <u>\$ 37,010,727</u> |
| | | | | | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | | |
| Total fund balances of governmental funds | | | | | \$ 14,477,364 |
| Capital assets used in governmental activities are not financial resources and not reported in funds. | | | | | 159,622,107 |
| Other long-term assets are not available to pay for current-period expenditures and are deferred in funds | | | | | 12,615,459 |
| Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts. | | | | | (399,866) |
| Long-term liabilities and notes payable are not due and payable in the current period and are not included in funds. | | | | | (52,411,889) |
| Reporting of assets on full accrual basis requires deferred bond issuance costs and deferred bond costs, be amortized | | | | | 1,519,362 |
| Reporting of liabilities on full accrual basis requires unamortized bond premiums, be amortized | | | | | (117,998) |
| Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued. | | | | | (496,493) |
| Net position of governmental activities | | | | | <u>\$ 134,808,046</u> |

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

TOWN OF SANDWICH, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

| | <u>General Fund</u> | <u>CPA Fund</u> | <u>CPF School Construction</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|------------------------------------|-----------------------------------------|-----------------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 49,948,269 | \$ 1,391,251 | \$ | \$ | \$ 51,339,520 |
| Excise Taxes | 2,774,350 | | | 31,552 | 2,805,902 |
| Licenses and permits | 496,143 | | | 220,175 | 716,318 |
| Penalties and interest | 336,547 | | | | 336,547 |
| Investment earnings | 42,423 | 5,783 | | 80,396 | 128,602 |
| Charges for services | | | | 4,252,887 | 4,252,887 |
| Fees and fines | 153,015 | | | 152 | 153,167 |
| Departmental and other | 120,354 | | | 3,055,392 | 3,175,746 |
| Intergovernmental | 14,652,390 | 390,124 | 1,792,089 | 4,092,171 | 20,926,774 |
| Total revenues | <u>68,523,491</u> | <u>1,787,158</u> | <u>1,792,089</u> | <u>11,732,725</u> | <u>83,835,463</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 15,622,982 | | | 586,285 | 16,209,267 |
| Public Safety | 7,863,124 | | | 937,949 | 8,801,073 |
| Education | 36,800,106 | | 4,133,001 | 5,733,758 | 46,666,865 |
| Public Works | 2,122,180 | | | 1,317,992 | 3,440,172 |
| Health and sanitation | 540,355 | | | 62,900 | 603,255 |
| Culture and recreation | 1,307,679 | 250,274 | | 2,653,247 | 4,211,200 |
| State and county assessments | 2,792,596 | | | | 2,792,596 |
| Debt Service: | | | | | |
| Principal | 2,835,354 | | | | 2,835,354 |
| Interest and other charges | 1,234,085 | | | | 1,234,085 |
| Total Expenditures | <u>71,118,461</u> | <u>250,274</u> | <u>4,133,001</u> | <u>11,292,131</u> | <u>86,793,867</u> |
| Revenues over (under) expenditures | (2,594,970) | 1,536,884 | (2,340,912) | 440,594 | (2,958,404) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from bond refunding | 14,045,000 | | | | 14,045,000 |
| Bond issuance costs | (153,634) | | | | (153,634) |
| Premiums received from issuance of refunding bonds | 117,998 | | | | 117,998 |
| Payments to refunded bond escrow agent | (14,009,364) | | | | (14,009,364) |
| Transfers in from other funds | 2,718,472 | | | 509,088 | 3,227,560 |
| Transfers out to other funds | (509,088) | (1,240,250) | | (1,478,222) | (3,227,560) |
| Total other financing sources and uses | <u>2,209,384</u> | <u>(1,240,250)</u> | | <u>(969,134)</u> | |
| Revenues and other financing sources over (under) expenditures and other financing uses | (385,586) | 296,634 | (2,340,912) | (528,540) | (2,958,404) |
| Fund balances - beginning of year | 6,313,581 | 3,122,711 | (145,037) | 8,144,513 | 17,435,768 |
| Fund balances - end of year | <u>\$ 5,927,995</u> | <u>\$ 3,419,345</u> | <u>\$ (2,485,949)</u> | <u>\$ 7,615,973</u> | <u>\$ 14,477,364</u> |

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

TOWN OF SANDWICH, MASSACHUSETTS
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 to Statement of Activities
 For the Year Ended June 30, 2013

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------|
| Revenues and other financing sources over (under) expenditures and other financing uses | | \$ (2,958,404) |
| <p>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.</p> | | |
| Capital outlays during the fiscal year | | 5,307,849 |
| Depreciation recorded for the fiscal year | | (4,345,428) |
| <p>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.</p> | | |
| Net change in deferred revenue | | (240,704) |
| Net change in allowance for uncollectible accounts | | (57,912) |
| <p>The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.</p> | | |
| Principal payments on long-term debt | | 2,835,356 |
| Payments to bond escrow account | | 14,009,364 |
| Proceeds from bond refunding | | (14,045,000) |
| Premiums received from issuance of refunding bonds | | (117,998) |
| <p>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.</p> | | |
| Net change in accrued interest expense | | 80,028 |
| <p>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. Changes in liabilities are as follows:</p> | | |
| Compensated absences | | 14,500 |
| Landfill closure | | 56,000 |
| Net OPEB obligation | | (4,238,077) |
| Change in net position of governmental activities | | <u>\$ (3,700,426)</u> |

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

Town of Sandwich, Massachusetts
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2013

| | Private Purpose Trust Funds | Agency Funds |
|-----------------------------------------------|----------------------------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 577,219 | \$ 388,679 |
| Total assets | \$ 577,219 | \$ 388,679 |
| <u>LIABILITIES</u> | | |
| Accounts payable and amounts due to others | \$ | \$ 388,679 |
| Total liabilities | | 388,679 |
| <u>NET POSITION</u> | | |
| Held in trust for benefits and other purposes | 577,219 | |
| Total liabilities and net position | \$ 577,219 | \$ 388,679 |

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

TOWN OF SANDWICH, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2013

| | Private Purpose Trust Funds |
|----------------------------------|----------------------------------------|
| ADDITIONS | |
| Interest and dividends | \$ 1,062 |
| Contributions | 2,558 |
| Total additions | 3,620 |
| DEDUCTIONS | |
| Scholarships and awards | 8,750 |
| Total deductions | 8,750 |
| Change in net position | (5,130) |
| Net position - beginning of year | 582,349 |
| Net position - end of year | \$ 577,219 |

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

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 1. Organization and Reporting Entity

A. Organization

The Town of Sandwich, Massachusetts (the "Town"), was incorporated in 1639. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works, educational and general administrative services. In addition, the Town owns and operates a golf course and marina.

B. Reporting Entity

General

The accompanying financial statements present the Town of Sandwich, 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 paid by the Town. Financial statements may be obtained from each of the joint ventures by contacting them directly. The Town does not have an equity interest in any of the joint ventures.

| <u>Joint venture and address</u> | <u>Purpose</u> | <u>FY2013 Assessment</u> |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------|
| Cape Cod Municipal Health Group c/o Group Benefit Strategies 27 Midstate Office Park, Auburn, MA 01501 | To provide employee insurance benefits | \$ 10,838,608 |
| Cape Cod Regional Transit Authority 585 Main Street, Dennis, MA 02638 | To provide public transportation | \$ 88,903 |
| District Department of Veteran Services PO Box 429, Hyannis, MA 02601 | To provide veterans' services | \$ 24,883 |
| Upper Cape Cod Regional Technical High School 220 Sandwich Road, Bourne, MA 02532 | To provide secondary vocational education | \$ 1,906,388 |
| Old Kings Highway Regional Historic District Commission PO Box 2187, Hyannis, MA 02601 | To preserve historic character | \$ 8,750 |
| Cape Cod Collaborative Lemay Avenue, Bourne, MA 02532 | To provide special education services | \$ 407,006 |

The Upper Cape Cod Regional Technical High School (the District) is governed by a nine (9) member school committee. The Town of Sandwich has one (1) representative 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 and capital costs.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Related Organizations

The Sandwich Housing Authority is a public body, 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.

Sandwich Water District was formed under Massachusetts General Laws Chapter 280 to supply water to the District for the extinguishment of fires and for domestic and other purposes and is governed by an elected, three-member Board of Water Commissioners. Thus, the Town acts as an agent for the water district for the collection of fees and subsequent disbursement of receipts to the water district. For the year ended June 30, 2013 the Town received funds of \$2,348,903 and disbursed \$2,348,903 to the Water District.

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 significant accounting policies applicable to 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 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, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

Government-wide Statements

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

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. 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. 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 and others are not allocated among the Town's functions and are included in general government 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.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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, liabilities, reserves, 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 - the Town does not have any proprietary funds.

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 of the Town:

Major Funds:

- General fund is the general operating fund of the Town. It is used to account for all financial resources not accounted for and reported in another fund.
- Capital projects funds - school construction is a capital project fund used to account for financial resources to be used to fund the renovation of the Town's elementary schools. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued.
- Community preservation act- ("CPA") is a fund used is used to preserve open space, historic sites, create affordable housing and develop outdoor recreational facilities. Financial resources consist of a property tax surcharge and contributions from the Commonwealth of Massachusetts.

Nonmajor governmental funds consist of other special revenue, capital projects, debt service and permanent funds that are aggregated and presented in the non-major governmental funds column of the governmental funds financial statements. The following describes the general use of these fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial 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. Currently, the Town does not utilize enterprise funds.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

Fiduciary Funds:

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 cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations. The decentralized tax collector account has been included as an agency fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. Government Accounting Standards sets 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.

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.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

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

C. Cash and equivalents and Investments

For the purpose of the Statement of Net Position, "cash and term deposits" include all demand, savings accounts, and certificates of deposits of the Town.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in the 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. As of June 30, 2013, the Town did not have any interfund receivables or payables.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 years or more years old as uncollectible for financial reporting purposes. The Town estimates 25% of ambulance charges to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable.

F. Capital Assets

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

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.

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

- Buildings and improvements 25-50 years
- Other improvements 20-30 years
- Machinery and Equipment 5-20 years
- Vehicles 3-20 years
- Infrastructure 20-50 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.

G. 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.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

H. Long-term Obligations

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, post-closure monitoring costs for municipal landfills and other post-employment obligations.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

I. 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. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

J. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- **Net investment in capital assets**—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, 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 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 net position**—Represents 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. Fund balance can be classified in the following components:

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting and requires such approval for any modification or rescission.
- Assigned fund balance – consists of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the 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's spending policy is to spend 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.

K. 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.

L. 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 for a fiscal year 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 SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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.

B. 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, 2013, the classification of the Town’s fund balances can be detailed as follows:

| | General Fund | CPA Fund | CPF School Construction Fund | Other Governmental Funds | Total |
|---------------------------|---------------------|---------------------|------------------------------------|--------------------------------|----------------------|
| Nonspendable: | | | | | |
| Permanent fund principal | \$ - | \$ - | \$ - | \$ 278,626 | \$ 278,626 |
| Restricted: | | | | | |
| General Government | | | | 340,667 | 340,667 |
| Public Safety | | | | 1,499,486 | 1,499,486 |
| Education | | | | 1,478,405 | 1,478,405 |
| Public Works | | | | 561,256 | 561,256 |
| Human Services | | | | 164,376 | 164,376 |
| Culture & Recreation | - | <u>3,419,345</u> | - | <u>3,293,157</u> | <u>6,712,502</u> |
| Subtotal | - | 3,419,345 | - | 7,337,347 | 10,756,692 |
| Committed: | | | | | |
| General Government | 218,592 | | | | 218,592 |
| Public Safety | 268,194 | | | | 268,194 |
| Education | 126,339 | | | | 126,339 |
| Public Works | 20,991 | | | | 20,991 |
| Human Services | 114,877 | | | | 114,877 |
| Culture & Recreation | <u>583,936</u> | - | - | - | <u>583,936</u> |
| Subtotal | 1,332,929 | - | - | - | 1,332,929 |
| Assigned: | | | | | |
| General Government | 626 | | | | 626 |
| Education | 485,181 | | | | 485,181 |
| Public Works | 7,461 | | | | 7,461 |
| Culture & Recreation | - | | | | - |
| Other- for FY 2014 budget | <u>1,403,984</u> | - | - | - | <u>1,403,984</u> |
| Subtotal | 1,897,252 | - | - | - | 1,897,252 |
| Unassigned | <u>2,697,814</u> | - | <u>(2,485,949)</u> | - | <u>211,865</u> |
| Total | <u>\$ 5,927,995</u> | <u>\$ 3,419,345</u> | <u>\$(2,485,949)</u> | <u>\$ 7,615,973</u> | <u>\$ 14,477,364</u> |

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2014 operating budget. These amounts have been classified above as committed fund balance for the intended purpose. The negative unassigned fund balance in CPF –School Construction Fund is due to a fund balance deficit in the school's capital project fund as a result of \$3,750,000 of short-term notes, for which permanent financing has not yet been obtained.

The Town's stabilization fund is reported with the General fund since the fund 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. At June 30, 2013, the Town's stabilization fund balance was \$1,017,193.

C. Restricted Net Position

Certain net position reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and receipts reserved for appropriation from proceeds of sale of real estate and insurance reimbursements are classified as unrestricted net position because they are available for appropriation to fund the general operations of the Town.

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

| | | |
|-----------------------------------|----|-------------------|
| Capital project funds | \$ | 25,490 |
| Special revenue funds: | | |
| Community preservation fund | | 4,272,139 |
| Ambulance | | 2,280,391 |
| Other special revenue funds | | 1,304,983 |
| Marina | | 662,051 |
| Circuit Breaker | | 657,681 |
| Golf Course | | 483,201 |
| Cemetery Perpetual Care | | 469,354 |
| Beach Parking Fund | | 373,806 |
| School Choice | | 299,813 |
| Insurance Reimbursement Revolving | | 16,856 |
| Full Day Kindergarten | | 179,679 |
| Transfer Station | | 610,779 |
| Permanent funds: | | |
| Expendable | | 278,626 |
| Non expendable | | 1,041,711 |
| Total permanent funds | | <u>1,320,337</u> |
| | | |
| Total restricted net position | \$ | <u>12,956,560</u> |

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 4. Cash and Equivalents

Massachusetts General Laws, Chapter 44, Section 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, and having 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 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 have a formal deposit policy for custodial credit risk. At June 30, 2013, deposits totaled \$23,649,680 and had a carrying amount of \$22,995,312. The difference between deposit amounts and carrying amounts primarily represents outstanding checks and deposits in transit. Of the deposit amounts \$11,517,699 was exposed to custodial credit risk, because it was uninsured and uncollateralized by security deposits in the Town's name, of this amount \$4,511,428 was secured by a third party collateralization agreement.

Note 5. Investments

The Town maintains accounts for the investment of funds at June 30, 2013 of \$808,490.

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's investment policy limits holdings of securities by counter parties to no more than 5% of the institution's assets and nor more than 10% of the Town's cash. At June 30, 2013, security (common stock) investments had a market value of \$808,490 and are held in the Permanent Fund.

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 have an investment policy regarding interest rate risk. The approximate maturities of the Town's debt investments are disclosed in the following table:

| <u>Investment Type</u> | <u>Fair Market Value</u> | <u>12 Months or Less</u> | <u>13 - 24 Months</u> | <u>25 - 60 Months</u> | <u>Not applicable/ Thereafter</u> |
|---------------------------|--------------------------|--------------------------|-----------------------|-----------------------|-----------------------------------|
| Federal agency securities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Money market funds | 162,150 | 162,150 | | | |
| MMDT | 13,932 | 13,932 | | | |
| Domestic equities | 632,408 | | | | 632,408 |
| Corporate notes | - | - | - | - | - |
| | <u>\$ 808,490</u> | <u>\$ 176,082</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 632,408</u> |

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 have an investment policy, which would limit its investment choices. The following table discloses the approximate amount of debt investments in each rating classification using Standard & Poor's rating classifications:

| <u>Investment Type</u> | <u>Fair Market Value</u> | <u>Exempt from Disclosure</u> | <u>S&P Rating as of Year End</u> | | | | <u>Not Rated</u> |
|---------------------------|--------------------------|-------------------------------|--------------------------------------|----------------|-------------|----------------|-------------------|
| | | | <u>AAA</u> | <u>AA to A</u> | <u>BBB</u> | <u>BB to B</u> | |
| Federal agency securities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Money market funds | 162,150 | | | | | | 162,150 |
| MMDT | 13,932 | 13,932 | | | | | |
| Domestic equities | 632,408 | | | | | | 632,408 |
| Corporate notes | - | - | - | - | - | - | - |
| | <u>\$ 808,490</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 808,490</u> |

Concentration of credit risk – The Town does have an investment policy, which limits the amount that can be invested in any one issuer or security. Excluding U.S. federal agency securities, and external investment pools, there are no securities or issuers, which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.

Note 6. 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 been received, but not yet earned. These deferred revenues have been reported as deferred inflows of resources in the financial statements.

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2013

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 and personal property taxes | \$ 1,346,489 | \$ 17,690 | \$ 1,328,799 | \$ 1,096,778 |
| Tax liens, deferrals and foreclosures | 1,674,736 | | 1,674,736 | 1,653,411 |
| Motor vehicle and other excise | 427,721 | 39,429 | 388,292 | 427,721 |
| Charge for services - ambulance | 1,370,988 | 342,746 | 1,028,242 | 1,370,988 |
| Charge for Services - transfer station | 9,646 | | 9,646 | 9,646 |
| Septic and road betterments and loans | 293,348 | | 293,348 | 293,348 |
| Intergovernmental | | | | |
| Commonwealth highway awards | 1,286,323 | | 1,286,323 | 1,286,323 |
| School building assistance | 6,651,214 | | 6,651,214 | 6,651,214 |
| Community preservation act | 795,548 | | 795,548 | 795,548 |
| Department of Elementary and Secondary Education | 32,788 | | 32,788 | 32,788 |
| Department of Environmental Protection | 46,660 | | 46,660 | 46,660 |
| Other items due from Commonwealth | <u>237,362</u> | <u>-</u> | <u>237,362</u> | <u>237,363</u> |
| Totals | <u>\$ 14,172,823</u> | <u>\$ 399,865</u> | <u>\$ 13,772,958</u> | <u>\$ 13,901,788</u> |

Massachusetts highway awards (Chapter 90) are awarded to the town on an annual basis. The Town submits reimbursement upon completion of approved project expenditures. As of June 30, 2013, the Town has reported \$1,286,323 as deferred inflow of resources associated with these awards.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|--------------------------------------|-------------------------------|-------------------|------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 91,326,397 | \$ - | \$ - | \$ 91,326,397 |
| Construction in process | <u>1,162,703</u> | <u>4,133,001</u> | - | <u>5,295,704</u> |
| Subtotal | 92,489,100 | 4,133,001 | - | 96,622,101 |
| Capital assets being depreciated | | | | |
| Buildings and related improvements | 80,289,690 | - | | 80,289,690 |
| Improvements other than buildings | 3,271,521 | - | | 3,271,521 |
| Equipment and machinery | 9,107,501 | 776,498 | | 9,883,999 |
| Vehicles | 4,528,250 | 398,350 | (130,835) | 4,795,765 |
| Infrastructure | <u>108,450,442</u> | - | - | <u>108,450,442</u> |
| Subtotal | 205,647,404 | 1,174,848 | (130,835) | 206,691,417 |
| Less accumulated depreciation: | | | | |
| Buildings and related improvements | 33,067,946 | 1,595,222 | | 34,663,168 |
| Improvements other than buildings | 2,869,510 | 103,272 | | 2,972,782 |
| Equipment, machinery, & vehicles | 8,439,500 | 151,505 | | 8,591,005 |
| Vehicles | 2,335,204 | 469,103 | (130,835) | 2,673,472 |
| Infrastructure | <u>92,764,658</u> | <u>2,026,326</u> | - | <u>94,790,984</u> |
| Subtotal | <u>139,476,818</u> | <u>4,345,428</u> | <u>(130,835)</u> | <u>143,691,411</u> |
| Governmental capital assets, net | <u>\$ 158,659,686</u> | <u>\$ 962,421</u> | <u>\$ -</u> | <u>\$ 159,622,107</u> |

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

| | |
|----------------------------------------------------------|-------------------------|
| Governmental activities: | |
| General government | \$ 122,041 |
| Public safety | 397,039 |
| Education | 1,465,786 |
| Public works | 2,114,624 |
| Health and human services | 9,031 |
| Culture and recreation | <u>236,907</u> |
| Total depreciation expense - governmental activities | <u>\$ 4,345,428</u> |

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Note 8. Interfund Balances and Activity

Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following:

| | <u>General Fund</u> | <u>CPA Fund</u> | <u>Other Governmental Funds</u> |
|-----------------------------------------------------------------------------------------|-------------------------|-----------------------|-------------------------------------|
| Amounts transferred from CPA Fund to FY 2013 operating budget for debt payments | \$ 1,240,250 | \$ (1,240,250) | \$ - |
| Amounts transferred from Ambulance Fund to fund FY 2013 operating budget and capital | 1,150,000 | | (1,150,000) |
| Amounts transferred from Beach Parking Fund to fund FY 2013 operating budget | 196,255 | | (196,255) |
| Amounts transferred from Hoxie House Grist Fund to fund FY 2013 operating budget | 29,000 | | (29,000) |
| Amounts transferred from Sandwich Promotions Fund to fund FY 2013 operating budget | 8,467 | | (8,467) |
| Amounts transferred from Cemetery Trust Fund to fund FY 2013 operating budget | 22,000 | | (22,000) |
| Amounts transferred from the Golf Course Fund to fund FY 2013 operating budget | 15,000 | | (15,000) |
| Amounts transferred from Marina Fund to Fund FY 2013 operating budget | 15,000 | | (15,000) |
| Amounts transferred from Cell Tower Fund to Fund FY 2013 operating budget | 25,000 | | (25,000) |
| Amounts transferred from Waterways Fund | <u>17,500</u> | <u>-</u> | <u>(17,500)</u> |
| Total transferred from (out) | 2,718,472 | (1,240,250) | (1,478,222) |
| Amounts transferred to Landfill Fund | (500,000) | | 500,000 |
| Transferred 50% of Waterways receipts for the fiscal year | <u>(9,088)</u> | <u>-</u> | <u>9,088</u> |
| Total transferred (out) from | <u>(509,088)</u> | <u>-</u> | <u>509,088</u> |
| Total net transfers governmental fund basis | <u>\$ 2,209,384</u> | <u>\$ (1,240,250)</u> | <u>\$ (969,134)</u> |

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2013

Note 9. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

| Purpose | Balance July 1, 2012 | Additions | Reductions | (Refunded) | Balance June 30, 2013 | Current Portion |
|-----------------------------------------------------------------------------------------------------|-------------------------|---------------|--------------|----------------|--------------------------|--------------------|
| Governmental activities: | | | | | | |
| General Obligation Bonds, 3.00-6.00%, dtd 1/15/2003, due 1/15/2023 | \$ 300,000 | \$ - | \$ 300,000 | \$ - | \$ - | \$ - |
| Massachusetts Water Pollution Abatement Trust, subsidized septic bonds, dtd 10/6/1999, due 8/1/2000 | 97,685 | | 10,831 | | 86,854 | 10,828 |
| School Refunding Bond 3.60-5.00%, dtd 3/15/2005, due 7/15/2020 | 9,385,000 | | 1,080,000 | (5,145,000) | 3,160,000 | 1,065,000 |
| Land Bank Refunding Bond, 3.60-5.00%, dtd 3/15/2005, due 7/15/2019 | 2,415,252 | | 306,250 | (1,200,000) | 909,002 | 303,061 |
| Golf Course Refunding Bond, 3.60-5.00%, dtd 3/15/2005, due 7/15/2029 | 5,119,745 | | 183,750 | (4,330,000) | 605,995 | 191,939 |
| MWPAT Septic Loan- Refunding Bond | 118,575 | | 9,525 | | 109,050 | 9,525 |
| G.O. Bonds, 4-6%, dtd 8/15/05, due 8/15/2022 | 2,940,000 | | 285,000 | (1,815,000) | 840,000 | 285,000 |
| G.O. Bonds, 2-4%, dtd 11/1/09, due 11/1/19 | 2,400,000 | | 300,000 | | 2,100,000 | 300,000 |
| G.O. Refunding Bonds, 3-5%, dtd 4/15/2011, due 9/15/2011 | 6,415,000 | - | 360,000 | - | 6,055,000 | 660,000 |
| G.O. Refunding Bonds, series A and B, 0.465-3.54%, dtd 6/6/2013, due 7/15/2029 | - | 14,045,000 | - | - | 14,045,000 | 340,000 |
| Total long-term bonds | 29,191,257 | 14,045,000 | 2,835,356 | (12,490,000) | 27,910,901 | 3,165,353 |
| Landfill closure and monitoring liability | 1,176,000 | | 56,000 | | 1,120,000 | 56,000 |
| Compensated absences | 1,109,000 | | 14,500 | | 1,094,500 | |
| Other post employment benefits | 18,048,411 | 4,238,077 | - | - | 22,286,488 | - |
| Total governmental noncurrent liabilities | \$49,524,668 | \$ 18,283,077 | \$ 2,905,856 | (\$12,490,000) | \$ 52,411,889 | \$3,221,353 |

Long-term debt

In June 2013, the Town issued refunding bonds in the aggregate of \$14,045,000 related to governmental activities. These refunding bonds refunded on a current and advance basis \$12,490,000 of bonds issued in previous years. At the time of refunding, the Town received an aggregate premium of \$117,998 and incurred net issuance costs of \$152,248 associated with the refunding bonds. As a result of the refunding, an aggregate of \$14,009,364 was 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 are repaid pursuant to the refunding agreement. As a result of the refunding, the Town reduced its debt service through 2030 by \$441,390, and obtained an economic gain (difference between the present values of the old and new debt service payouts) of \$390,867. The issuance costs and premiums associated with the refunding bonds issued in June 2013 are being amortized on a straight-line basis over the remaining life of the old debt of approximately 17 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.

For financial reporting purposes, debt which has been refunded is considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2013, total defeased debt outstanding related to refunded issues is approximately \$12.49 million.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are 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 MWPAT (and MWPAT 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 statement because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2013 including interest are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2014 | \$ 3,165,353 | \$ 1,305,302 | \$ 4,470,655 |
| 2015 | 3,055,828 | 1,310,137 | 4,365,965 |
| 2016 | 3,035,828 | 1,185,324 | 4,221,152 |
| 2017 | 3,045,828 | 489,426 | 3,535,254 |
| 2018 | 3,010,828 | 414,289 | 3,425,117 |
| 2019 – 2023 | 10,122,239 | 1,050,533 | 11,172,772 |
| 2024 – 2030 | <u>2,475,997</u> | <u>316,660</u> | <u>2,791,657</u> |
| Totals | <u>\$ 27,910,901</u> | <u>\$ 6,071,671</u> | <u>\$ 33,982,572</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, 2013:

| <u>Purpose</u> | <u>Year Authorized</u> | <u>Amount</u> |
|---------------------------|------------------------|----------------------|
| Regional septic treatment | 1993 | \$ 6,500,000 |
| Land acquisition | 2004 | 850,000 |
| Land acquisition | 2004 | 90,000 |
| Betterments | 2002 | 751 |
| Betterments | 2002 | 2,484 |
| Betterments | 2001 | 17,000 |
| George Fernandez Exp Proj | 2009 | 1,850,000 |
| School Roof Bonds | 2011 | <u>5,415,780</u> |
| | | <u>\$ 14,726,016</u> |

The Town has received grants from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest cost on certain School construction projects – refunding bonds and the High School addition/renovation authorization. Reimbursements commenced in fiscal years 1989, 1990, 1995 for a 20-year period at approximately 70% of eligible costs of the projects and in fiscal year 2003 on the High School addition/renovation for a 20-year period at approximately 60% of eligible costs. Costs are subject to approval and annual appropriation by the Commonwealth of Massachusetts. Pursuant to Government Accounting Standard Boards (GASB) Statement No. 33 (Accounting and Financial Reporting for Non Exchange Transactions), these financial statements include intergovernmental receivables from the Commonwealth of Massachusetts of \$6,651,214, which are offset by deferred revenue related to these awards on the fund basis financial statements and are fully accrued on the government wide financial statements.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 payments for non-cancelable operating leases are immaterial as of June 30, 2013.

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. The Town has no material capital lease obligations at June 30, 2013.

Note 11. 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 (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate funds. The Town's outstanding short-term debt at June 30, 2013 is as follows:

| <u>Type/ Date</u> | <u>Purpose</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance July 1, 2012</u> | <u>Issued</u> | <u>Rollover</u> | <u>Balance June 30, 2013</u> |
|-----------------------|------------------------|--------------------------|--------------------------|---------------------------------|--------------------|-----------------------|----------------------------------|
| BAN 6/6/2012 | Green School repair | 0.50% | 12/3/2012 | \$ 250,000 | \$ - | \$ (250,000) | \$ - |
| BAN 6/6/2012 | Green School repair | 0.50% | 12/3/2012 | 2,000,000 | - | (2,000,000) | - |
| BAN 10/5/2012 | Green School repair | 0.45% | 12/3/2012 | - | 1,500,000 | (1,500,000) | - |
| BAN 12/3/2012 | Green School repair | 0.44% | 12/3/2013 | - | 3,750,000 | - | 3,750,000 |
| | | | | <u>\$ 2,250,000</u> | <u>\$5,250,000</u> | <u>\$ (3,750,000)</u> | <u>\$ 3,750,000</u> |

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town has deficit fund balances related to Capital Project Funds. These deficits will be funded through long-term borrowing.

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2013

Note 12. 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.

| | <u>Balance July 1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2013</u> |
|----------------------------------------|---------------------------------|---------------------|-------------------|----------------------------------|
| Governmental activities: | | | | |
| Deferred outflows of resources: | | | | |
| Deferred amount on refunding | \$ - | \$ 1,519,364 | \$ - | \$ 1,519,364 |
| Total deferred outflows of resources | <u>\$ -</u> | <u>\$ 1,519,364</u> | <u>\$ -</u> | <u>\$ 1,519,364</u> |
| Deferred inflow of resources: | | | | |
| Unamortized bond premiums | \$ - | \$ 177,998 | \$ - | \$ 117,998 |
| Total deferred inflows of resources | <u>\$ -</u> | <u>\$ 177,998</u> | <u>\$ -</u> | <u>\$ 177,998</u> |

Note 13. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Sandwich, 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 (TRS), to which the Town does not contribute.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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 contribution is \$2,800,987, representing approximately 5% of the system wide employer assessments, which was equal to its required contribution. 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, 2012 and 2011 were \$2,572,721 and \$2,361,953 respectively, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to TRS. Contributions to the TRS 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, \$4,410,302 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as Education operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and education expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis schedules.

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.

C. Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays 75% of the health, dental and life insurance premiums. The Town's plan consists of approximately 748 plan participants; of this amount 315 are retirees and beneficiaries dependents. The Town pays premiums on a "pay as you go" basis.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment 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 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 over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2013

| | |
|--------------------------------------------|----------------------|
| Annual required contribution | \$ 5,949,083 |
| Interest on net OPEB obligation | 812,178 |
| Adjustment to annual required contribution | <u>(658,726)</u> |
| Annual OPEB cost (expense) | 6,102,535 |
| Contributions made | <u>1,864,458</u> |
| Increase in net OPEB obligation | 4,238,077 |
| Net OPEB obligation, beginning of year | <u>18,048,411</u> |
| Net OPEB obligation, end of year | <u>\$ 22,286,488</u> |

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

| Fiscal Year | Annual OPEB | Percentage of | Net OPEB |
|--------------|--------------|-------------------------|-------------------|
| <u>Ended</u> | <u>Cost</u> | <u>Annual OPEB</u> | <u>Net OPEB</u> |
| | | <u>Cost Contributed</u> | <u>Obligation</u> |
| 6/30/2013 | \$ 6,102,535 | 30.55% | \$ 4,238,077 |
| 6/30/2012 | \$ 7,163,418 | 38.78% | \$ 4,385,520 |
| 6/30/2011 | \$ 6,752,776 | 34.33% | \$ 4,434,835 |

Funding Status and Schedule of Funding Progress

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

| Actuarial | Actuarial | Actuarial | Unfunded | Funded | Covered | UAAL as a |
|-------------|------------|----------------|----------------|----------------|------------|----------------------|
| Valuation | Value of | Liability | AAL | Ratio | Payroll | Percentage of |
| <u>Date</u> | <u>(a)</u> | <u>(b)</u> | <u>(b)-(a)</u> | <u>(a)/(b)</u> | <u>(c)</u> | <u>(((b)-(a))/c)</u> |
| 6/30/2012 | \$ - | \$ 74,495,887 | \$ 74,495,887 | 0.00% | NA | NA |
| 6/30/2010 | \$ - | \$ 103,533,455 | \$ 103,533,455 | 0.00% | NA | NA |
| 6/30/2008 | \$ - | \$ 85,659,143 | \$ 85,659,143 | 0.00% | NA | NA |

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.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

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.

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.5%, pay-as-you-go scenario

Healthcare Trend Rates:

| <u>Year</u> | <u>Medical</u> | <u>Dental</u> | <u>Part B</u> |
|-----------------|----------------|---------------|---------------|
| FY 2013 | 8.00% | 5.00% | 6.00% |
| FY 2014 | 7.50% | 5.00% | 6.00% |
| FY 2015 | 7.00% | 5.00% | 6.00% |
| FY 2016 | 6.50% | 5.00% | 6.00% |
| FY 2017 | 6.00% | 5.00% | 6.00% |
| FY 2018 | 5.50% | 5.00% | 6.00% |
| FY 2019 & later | 5.00% | 5.00% | 6.00% |

General Inflation Assumption: 4.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortization payments increasing at 4.0% over 30 years

Note 14. 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.

As of June 30, 2013, \$1,120,000 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 the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 15. 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 carries commercial insurance for all risk except health insurance.

As discussed in Note 1, the Town participates in the Cape Cod Municipal Health Group ("Group") a municipal joint-purchase group consisting of 51 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the Group based upon a 75% (Town) and 25% (Employee) primary care premium formula. The Town budgets, annually, in the general fund for its estimated share of contributions. At June 30, 2013, the Group reports net position of \$23.8M (unaudited).

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Financial Statements
June 30, 2013

Note 16. Commitments and Contingencies

The Town is named as a defendant in several lawsuits at June 30, 2013. 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 17. Subsequent Events

Subsequent to year end, the Town rolled over the original \$3,750,000 BAN with a maturity date of December 3, 2013. The \$3,750,000 BAN was rolled over with a maturity date of June 15, 2014 and interest rate of 0.45% payable at maturity.

Note 18. Implementation of GASB Pronouncements

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

Current pronouncements

The GASB issued Statement #60, Accounting and Financial Reporting for Service Concession Arrangements, which was required to be implemented in fiscal year 2013. This pronouncement's objective was to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. This pronouncement had no effect on the Town in the current year.

The GASB issued Statement #61, The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34, which was required to be implemented in fiscal year 2013. This pronouncement modified requirements for the inclusion of component units in the financial reporting entity. This pronouncement had no effect on the Town in the current year.

The GASB issued Statement #62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which was required to be implemented in fiscal year 2013. This pronouncement continued the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was required to be implemented in fiscal year 2013. This pronouncement standardized the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period.

TOWN OF SANDWICH, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. This pronouncement was implemented in the current year. The pronouncement reclassified certain assets and liabilities as deferred outflows and deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Future pronouncements

The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No.10 and No. 62*, which is 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 Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

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 #69, *Government Combinations and Disposals of Government Operations*, which is 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 Town doesn't anticipate this pronouncement will have an effect upon the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is 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 Town doesn't anticipate the pronouncement will have an 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 #68*, which is required to be implemented in fiscal year 2014. The pronouncement addresses transition provisions of GASB #68 for accounting amounts associated with contributions, if any, made by a local government or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The pronouncement will have a material effect upon the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SANDWICH, MASSACHUSETTS
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the year ended June 30, 2013

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------------------------------------|--------------------|-----------------|---------------|---------------------------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 49,725,625 | \$ 49,725,625 | \$ 49,989,080 | \$ 263,455 |
| Excise Taxes | 2,635,000 | 2,635,000 | 2,774,350 | 139,350 |
| License and permits | 580,000 | 580,000 | 496,143 | (83,857) |
| Penalties and interest | 390,000 | 390,000 | 336,547 | (53,453) |
| Investment interest | 50,000 | 50,000 | 38,791 | (11,209) |
| Fines and fees | 46,500 | 46,500 | 153,015 | 106,515 |
| Departmental and other | 338,000 | 338,000 | 120,354 | (217,646) |
| Intergovernmental | 10,206,502 | 10,206,502 | 10,246,088 | 39,586 |
| Total revenues | 63,971,627 | 63,971,627 | 64,154,368 | 182,741 |
| EXPENDITURES | | | | |
| General government | 17,420,172 | 16,925,840 | 15,622,982 | 1,302,858 |
| Public Safety | 7,988,401 | 7,871,766 | 7,863,124 | 8,642 |
| Education | 35,350,514 | 32,827,267 | 32,702,469 | 124,798 |
| Public works | 2,053,919 | 2,143,022 | 2,122,180 | 20,842 |
| Human services | 665,243 | 550,366 | 540,355 | 10,011 |
| Culture and recreation | 1,885,838 | 1,307,903 | 1,307,679 | 224 |
| State and county assessments | 2,891,136 | 2,891,136 | 2,792,596 | 98,540 |
| Debt Service | 4,136,599 | 4,136,599 | 4,069,438 | 67,161 |
| Total Expenditures | 72,391,822 | 68,653,899 | 67,020,823 | 1,633,076 |
| Revenues over (under) expenditures | (8,420,195) | (4,682,272) | (2,866,455) | 1,815,817 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | | | 14,045,000 | 14,045,000 |
| Bond issuance costs | | | (153,634) | (153,634) |
| Premium on bonds | | | 117,998 | 117,998 |
| Payments to bond escrow account | | | (14,009,364) | (14,009,364) |
| Transfers in from other funds | 2,703,472 | 2,703,472 | 2,718,472 | 15,000 |
| Transfers out to other funds | (500,000) | (500,000) | (509,088) | (9,088) |
| Total other financing sources and uses | 2,203,472 | 2,203,472 | 2,209,384 | 5,912 |
| Revenues and other financing sources over (under) expenditures and other financing sources | (6,216,723) | (2,478,800) | (657,071) | \$ 1,821,729 |
| Fund balances - beginning restated | | | 6,585,066 | |
| Fund balances - ending | | | \$ 5,927,995 | |
| Other budget items | | | | |
| Free cash appropriations | 2,137,550 | 2,137,550 | | |
| Overlay surplus | 150,000 | 150,000 | | |
| Carryover encumbrances | 3,929,173 | 191,250 | | |
| Total other budget items | 6,216,723 | 2,478,800 | | |
| Net budget | \$ | \$ | | |

See Independent Auditor's Report.

TOWN OF SANDWICH, MASSACHUSETTS
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
 Community Preservation Fund - Budget and Actual
 For the year ended June 30, 2013

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------------------------------------------------------------------------|--------------------|------------------|---------------------|---------------------------------------------------------|
| REVENUES | | | | |
| Community Preservation Surcharge | \$ 1,360,030 | \$ 1,360,030 | \$ 1,391,251 | \$ 31,221 |
| Intergovernmental - state match | 288,740 | 288,740 | 390,124 | 101,384 |
| Investment income | | | 5,783 | 5,783 |
| Total revenues | <u>1,648,770</u> | <u>1,648,770</u> | <u>1,787,158</u> | <u>138,388</u> |
| EXPENDITURES | | | | |
| CPA -project expenditures | 2,049,250 | 689,717 | 227,826 | 461,891 |
| Administration | 75,000 | 75,000 | 22,448 | 52,552 |
| Total Expenditures | <u>2,124,250</u> | <u>764,717</u> | <u>250,274</u> | <u>514,443</u> |
| Revenues over (under) expenditures | (475,480) | 884,053 | 1,536,884 | 652,831 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in from other funds | (1,240,250) | (1,240,250) | (1,240,250) | |
| Transfers out to other funds | (1,240,250) | (1,240,250) | (1,240,250) | |
| Total other financing sources and uses | | | | |
| Revenues and other financing sources over (under) expenditures and other financing sources | (1,715,730) | (356,197) | 296,634 | \$ 652,831 |
| Fund balances - beginning | | | 3,122,711 | |
| Fund balances - ending | | | <u>\$ 3,419,345</u> | |
| Other budget items | | | | |
| Carryover encumbrances | \$ 1,715,730 | \$ 356,197 | | |
| Total other budget items | <u>1,715,730</u> | <u>356,197</u> | | |
| Net budget | <u>\$ 0</u> | <u>\$ 0</u> | | |

TOWN OF SANDWICH, MASSACHUSETTS
Notes to Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budgetary Basis
June 30, 2013

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, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. 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.

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 Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, 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). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund and Community Preservation Fund for the fiscal year ended June 30, 2013 are presented below:

| | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources (Uses), Net</u> |
|-------------------------------------------------------------------|----------------------|----------------------|------------------------------------------------|
| General Fund | | | |
| As reported on a budgetary basis | \$ 64,154,368 | \$ 67,020,823 | \$ 2,209,384 |
| Adjustments of property tax revenues to modified accrual basis | (40,812) | | |
| State funded teacher's pension | 4,410,303 | 4,410,303 | |
| Adjustment for change in accrued expenses | - | (312,665) | - |
| Net activity, stabilization funds | <u>(368)</u> | <u>-</u> | <u>-</u> |
| As reported on a GAAP basis | <u>\$ 68,523,491</u> | <u>\$ 71,118,461</u> | <u>\$ 2,209,384</u> |
| Community Preservation Fund | | | |
| As reported on a budgetary basis | \$ 1,787,158 | \$ 250,274 | \$ (1,240,250) |
| As reported on a GAAP basis | <u>\$ 1,787,158</u> | <u>\$ 250,274</u> | <u>\$ (1,240,250)</u> |

See Independent Auditor’s Report.

TOWN OF SANDWICH, MASSACHUSETTS
 Required Supplementary Information
 June 30, 2013

Other Post Employment Benefits
Funding Status and Schedule of Funding Progress

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

| Actuarial Valuation | Actuarial Value of Assets | Actuarial Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b)-(a)/c] |
|---------------------|---------------------------|---------------------------|---------------------|----------------------|---------------------|-----------------------------------------------------|
| Date | (a) | (b) | (b)-(a) | (a)/(b) | (c) | [(b)-(a)/c] |
| 6/30/2012 | \$ - | \$ 74,495,887 | \$ 74,495,887 | 0.00% | NA | NA |
| 6/30/2010 | \$ - | \$ 103,533,455 | \$ 103,533,455 | 0.00% | NA | NA |
| 6/30/2008 | \$ - | \$ 85,659,143 | \$ 85,659,143 | 0.00% | NA | NA |

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.

Actuarial Cost Method: Projected Unit Credit
 Investment Rate of Return: 4.5%, pay-as-you-go scenario
 Healthcare Trend Rates:

| Year | Medical | Dental |
|-----------------|---------|--------|
| FY 2013 | 8.00% | 5.00% |
| FY 2014 | 7.50% | 5.00% |
| FY 2015 | 7.00% | 5.00% |
| FY 2016 | 6.50% | 5.00% |
| FY 2017 | 6.00% | 5.00% |
| FY 2018 | 5.50% | 5.00% |
| FY 2019 & later | 5.00% | 5.00% |

General Inflation Assumption: 4.0% per annum
 Actuarial Value of Assets: Market Value
 Amortization of UAAL: Amortization payments increasing at 4.0% over 30 years

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

TOWN OF SANDWICH, MASSACHUSETTS
Schedule of Marina Revenues, Transfers, Expenditures and Changes in Fund Balances
For the Years Ended June 30, 2013 and June 30, 2012

| | <u>2013</u> | <u>2012</u> |
|------------------------------------------------------------------------------------|-------------------|-------------------|
| Revenues | | |
| Slip Rentals | | |
| Pleasure - annual | \$ 296,584 | \$ 305,966 |
| Pleasure - transient | 140,847 | 144,330 |
| Commercial - annual | 60,830 | 62,030 |
| Commercial - semi-annual | 6,050 | 15,725 |
| Commercial - transient | 6,945 | 2,780 |
| Ramp passes | | |
| Seasonal | 23,300 | 26,800 |
| Daily | 27,900 | 28,760 |
| Winter storage | 46,320 | 48,680 |
| Fuel | 869,740 | 1,043,023 |
| Electric | 22,038 | 21,217 |
| Interest | 1,157 | 2,203 |
| Other | <u>20,470</u> | <u>19,818</u> |
| Total revenues | 1,522,181 | 1,721,332 |
| Expenditures | | |
| Salaries and employee benefits | 384,163 | 429,492 |
| Utilities | 41,197 | 38,155 |
| Maintenance and repairs | 322,024 | 275,790 |
| Legal | 3,343 | 1,313 |
| Supplies | 4,721 | 10,035 |
| Sales tax | 32,059 | 46,202 |
| Fuel, gas and oil | 765,453 | 919,437 |
| Insurance | 24,531 | 23,483 |
| Other | <u>21,858</u> | <u>32,470</u> |
| Total expenditures | 1,599,349 | 1,776,377 |
| Excess of revenues over (under) expenditures | (77,168) | (55,045) |
| Other financing sources (uses) | | |
| Transfers out to other funds | <u>(15,000)</u> | <u>(15,000)</u> |
| Total other financing sources | <u>(15,000)</u> | <u>(15,000)</u> |
| Revenues and other financing sources over expenditures and other financing uses | (92,168) | (70,045) |
| Fund balance, beginning of year | <u>754,219</u> | <u>824,264</u> |
| Fund balance, end of year | <u>\$ 662,051</u> | <u>\$ 754,219</u> |

See Independent Auditor's Report on Supplementary Information.